S. HRG. 98-1139

RECRUITMENT AND RETENTION READINESS ACT OF 1983 AND OTHER LEGISLATIVE INITIATIVES FOR THE ALL-VOLUNTEER FORCE

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1747, S. 1873 and Related Bills

FEBRUARY 21, 1984

Printed for the use of the Committee on Veterans' Affairs

U.S. GOVERNMENT PRINTING OFFICE
34-268 O WASHINGTON : 1984

ST61-3

COMMITTEE ON VETERANS' AFFAIRS

ALAN K. SIMPSON, Wyoming, *Chairman*

STROM THURMOND, South Carolina	ALAN CRANSTON, California
ROBERT T. STAFFORD, Vermont	JENNINGS RANDOLPH, West Virginia
FRANK H. MURKOWSKI, Alaska	SPARK M. MATSUNAGA, Hawaii
ARLEN SPECTER, Pennsylvania	DENNIS DECONCINI, Arizona
JEREMIAH DENTON, Alabama	GEORGE J. MITCHELL, Maine
RUDY BOSCHWITZ, Minnesota	

ANTHONY L. PRINCIPI, *Chief Counsel/Staff Director*
JONATHAN R. STEINBERG, *Minority Chief Counsel/Staff Director*

CONTENTS

	Page
Opening statement of Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs	1
Bill S. 1747, as referred to the Committee on Veterans' Affairs:	
Text of	4
Agency Report of the Veterans' Administration (No. 55, November 8, 1983)	46
Bill S. 1873, as referred to the Committee on Armed Services:	
Text of	50
Introductory statement of author, Hon. Alan K. Simpson, excerpts from the Congressional Record, vol. 129, No. 123, pp. S12751-S12752—Senate, September 22, 1983	54
Testimony of:	
Hon. William L. Armstrong, a U.S. Senator from the State of Colorado	79
Dr. Lawrence J. Korb, Assistant Secretary of Defense, Manpower, Reserve Affairs and Logistics, Department of Defense	95
Gen. Maxwell R. Thurman, Vice Chief of Staff, U.S. Army	109
Dr. Kenneth J. Coffey, Associate Director for Manpower, Reserve Affairs and Logistics, National Security and International Affairs Division, General Accounting Office	154
Neil M. Singer, Principal Analyst for National Security and International Affairs, Congressional Budget Office	76
Written statement of:	
Hon. Alan Cranston, ranking minority member of the Senate Committee on Veterans' Affairs	59
Hon. Strom Thurmond, a U.S. Senator from the State of South Carolina	61
Hon. Rudy Boschwitz, a U.S. Senator from the State of Minnesota	63
Hon. William S. Cohen, a U.S. Senator from the State of Maine	65
Hon. Ernest F. Hollings, a U.S. Senator from the State of South Carolina	70
Hon. Larry Pressler, a U.S. Senator from the State of South Dakota	77
Hon. William L. Armstrong, a U.S. Senator from the State of Colorado	85
Dr. Lawrence J. Korb, Assistant Secretary of Defense, Manpower, Reserve Affairs and Logistics, Department of Defense	102
Gen. Maxwell R. Thurman, Vice Chief of Staff, U.S. Army	116
Dr. Kenneth J. Coffey, Associate Director (Manpower, Reserve Affairs and Logistics), National Security and International Affairs Division, General Accounting Office	158
Neil M. Singer, Principal Analyst for National Security and International Affairs, Congressional Budget Office	186
Stephen L. Edmiston, deputy national legislative director, Disabled American Veterans	204
Questions and answers:	
Response to written questions submitted by Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs, from:	
Department of the Army	144
General Accounting Office	170
Congressional Budget Office	198
Response to written questions submitted by Hon. Spark M. Matsunaga, a U.S. Senator from the State of Hawaii, from:	
Department of Defense	108
Department of the Army	145
Letter to Hon. William L. Armstrong, a U.S. Senator from the State of Colorado, from Gen. E. C. Meyer, U.S. Army (Ret.), dated November 3, 1983	200

RECRUITMENT AND RETENTION READINESS ACT OF 1983 AND OTHER LEGISLATIVE INITIATIVES FOR THE ALL-VOLUNTEER FORCE

TUESDAY, FEBRUARY 21, 1984

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10:10 a.m., in room SR-418, Russell Office Building, Hon. Alan K. Simpson (chairman of the committee) presiding.

Present: Chairman Alan K. Simpson (presiding), Senators Strom Thurmond, and Spark M. Matsunaga.

OPENING STATEMENT OF HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Chairman SIMPSON. Good morning and welcome to this hearing in which we consider two legislative proposals designed to address problems that may arise in the future in the recruitment and retention of qualified personnel in the Armed Forces. We will also hear testimony regarding the track record to date of the VEAP program—Veterans' Educational Assistance Program.

It's a great pleasure to have my good friend and neighbor to the south and colleague Bill Armstrong with us here today. And I want to welcome him and other distinguished witnesses.

Since the beginnings of the All-Volunteer Force there has been a great deal of discussion and debate concerning how we might best insure that the All-Volunteer Force is to consist of high quality personnel. And fortunately, during the last several years the Armed Forces have enjoyed some historical highs in the recruitment and retention of high quality personnel. However, it is held by some that the current recruitment and retention successes being enjoyed by the armed services are but temporary and that future shortfalls are indeed inevitable.

S. 1747 was introduced by Senator Armstrong and others in an effort to address these possible shortfalls. And I commend the proponents for their recognition, one which I share by the way, of the great importance which should be placed on maintaining a strong qualified military force.

While I also believe that Congress should be prepared to take any necessary action in the event of recruitment and retention shortfall, I do have a bit of a problem with the concept that serious shortfalls are inevitable in October 1987 or at any other future time that we may choose to identify or that we should take any

dramatic action such as proposed by S. 1747 in order to address possible shortfalls at the present time.

So perhaps we might better use this period of recruitment and retention success to analyze the options that are available to us in addressing the shortfalls in the most efficient and most cost-effective manner.

And in addition, certain strong evidence exists, and we shall hear testimony on this today, that broad across-the-board educational assistance programs are not the most cost-effective way of recruiting and retaining quality personnel. In fact, we will have a CBO analysis of the issue discussing the costs per additional high quality recruit perhaps being nearly $200,000, and that is estimated in terms of today's dollar.

And by contrast, CBO projects that by using other recruitment incentives such as increased numbers of recruiters or higher cash enlistment bonuses or other alternatives that perhaps high quality personnel can be attracted at a cost of between $20,000 and $35,000 per recruit.

Anyway, in the Senate debate of the Defense Authorization Act, we did get to this issue. The amendment failed on a point of order under the Budget Act. It was a rather spirited debate, I recall, as my colleague at the table will recall as well. And after that I gave serious thought to how we might best prepare for future force manning—that's a dazzling term in itself—and the difficulties while always maintaining the needed flexibility to properly address those difficulties and problems when they arise and in the order that they do arise.

So I submitted the proposed Recruitment and Retention Readiness Act of 1983, which has been referred to the Armed Services Committee and because of its direct association with legislative matters there, and before us, we will address it here today. And that legislation would require Congress to report at a date no later than July 1, 1987 as to need for new incentives in order to assist in recruitment and retention. And it also would provide for an expedited consideration of legislation.

So perhaps that legislation would succeed in giving Congress the full opportunity to become aware of exactly where recruitment and retention problems lie, or really whether they even exist at all before enacting some very broad and significant and costly entitlement legislation.

So those are some of my comments I wanted to make on matters. And I found this to be an issue that, like all the ones I seemed to get involved in, brings forth great feelings and strongly held beliefs on both sides, maybe on all sides.

I think we all believe, and certainly you, Senator Armstrong, in the need for a strong and responsive and qualified military force. I'm hopeful that we might work together to achieve that and insure also that we do not add needlessly to the very troubling Federal deficit issue.

So I'll look forward to the testimony.

The text of the bills S. 1747 and S. 1873, as previously mentioned, the introductory statements and agency reports thereon, and related materials will be inserted at this point in the record.

[The text of the bills S. 1747 and S. 1873, the agency reports thereon, and related materials follow:]

98TH CONGRESS
1ST SESSION

S. 1747

To amend title 38, United States Code, to establish two new programs of educational assistance for veterans of peacetime service, to close the post-Vietnam-era veterans' educational assistance program to new participants, and to repeal the December 31, 1989, termination date of the Vietnam-era GI bill; and for other purposes.

IN THE SENATE OF THE UNITED STATES

AUGUST 3 (legislative day, AUGUST 1), 1983

Mr. ARMSTRONG (for himself, Mr. COHEN, Mr. HOLLINGS, Mr. MATSUNAGA, Mr. CRANSTON, Mr. BRADLEY, Mr. D'AMATO, Mr. DECONCINI, Mr. DOLE, Mr. HART, Mrs. HAWKINS, Mr. KASTEN, Mr. KENNEDY, Mr. MITCHELL, and Mr. BOSCHWITZ) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

---

A BILL

To amend title 38, United States Code, to establish two new programs of educational assistance for veterans of peacetime service, to close the post-Vietnam-era veterans' educational assistance program to new participants, and to repeal the December 31, 1989, termination date of the Vietnam-era GI bill; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

Section 1. This Act may be cited as the "Peace-Time Veterans' Educational Assistance Act".

NEW EDUCATIONAL ASSISTANCE PROGRAMS

SEC. 2. (a) Title 38, United States Code, is amended by inserting before chapter 31 the following new chapters:

"CHAPTER 29—PEACE-TIME VETERANS' EDUCATIONAL ASSISTANCE PROGRAM

"SUBCHAPTER I—PURPOSES; DEFINITIONS

"Sec.
"1401. Purposes.
"1402. Definitions.

"SUBCHAPTER II—BASIC EDUCATIONAL ASSISTANCE

"1411. Entitlement to basic educational assistance for active duty service.
"1412. Entitlement to basic educational assistance for service in the Selected Reserve.
"1413. Duration of basic educational assistance.
"1414. Payment of basic educational assistance allowance.

"SUBCHAPTER III—SUPPLEMENTAL EDUCATIONAL ASSISTANCE

"1421. Entitlement to supplemental educational assistance.
"1422. Determinations of designated personnel categories.
"1423. Payment of supplemental educational assistance allowance.

"SUBCHAPTER IV—ADDITIONAL RECRUITMENT AND RETENTION INCENTIVES

"1431. Additional amounts of assistance.

"SUBCHAPTER V—GENERAL AND ADMINISTRATIVE PROVISIONS

"1441. Expiration of periods during which entitlement may be used.
"1442. Suspension of educational assistance.
"1443. Exclusion of certain service for purpose of earning entitlement; bar to duplication of benefits.
"1444. Extension to permit completion of term.
"1445. Program requirements.
"1446. Appropriations; administrative expenses; budget function.
"1447. Reporting requirements.

"SUBCHAPTER I—PURPOSES; DEFINITIONS

"§ 1401. Purposes

"The purposes of this chapter are—

"(1) to promote and assist the total force concept of the Armed Forces by establishing a new program of educational assistance to aid in the recruitment and retention of highly qualified personnel for both the Active and Reserve components of the Armed Forces; and

"(2) to assist such personnel in obtaining an education that they might not otherwise be able to afford.

"§ 1402. Definitions

"For the purposes of this chapter:

"(1) The term 'basic educational assistance' means educational assistance provided under subchapter II of this chapter.

"(2) The term 'effective date' means the effective date provided for in section 8(b) of the Peace-Time Veterans' Educational Assistance Act.

"(3) The term 'educational institution' has the same meaning provided in section 1652(c) of this title.

"(4) The term 'program of education' has the same meaning provided in section 1652(b) of this title.

"(5) The term 'Selected Reserve' means the Selected Reserve of the Ready Reserve of any of the Re-

serve components of the Armed Forces, as required to be maintained under section 268(b) of title 10.

"(6) The term 'supplemental educational assistance' means educational assistance provided under subchapter III of this chapter.

"SUBCHAPTER II—BASIC EDUCATIONAL ASSISTANCE

"§ 1411. Entitlement to basic educational assistance for active duty service

"(a) Except as provided in subsection (b) of this section, an individual shall be entitled to basic educational assistance under this chapter if such individual—

"(1) after the effective date—

"(A) serves at least three years of continuous active duty in the Armed Forces, or

"(B) serves at least two years of continuous active duty in the Armed Forces and agrees to serve at least four years in a Reserve component of the Armed Forces after service on active duty;

"(2) before completion of the active-duty service described in clause (1) of this subsection, has received a secondary school diploma (or an equivalency certificate); and

"(3) upon completion of the active-duty service described in clause (1) of this subsection—

"(A) is discharged from such service with an honorable discharge, is placed on the retired list, is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or is placed on the temporary disability retired list;

"(B) continues on active duty; or

"(C) is released from active duty for further service in a Reserve component of the Armed Forces after service on active duty characterized by the Secretary concerned as honorable service.

"(b) An individual who receives a commission as an officer in the Armed Forces upon graduation from one of the service academies or upon completion of a program of educational assistance under section 2107 of title 10 is not entitled to basic educational assistance under this section.

"(c) For the purposes of subsection (a)(3)(A) of this section, an individual who, upon completion of such individual's full period of obligated service or upon such individual's discharge under section 1173 of title 10, has received a general discharge shall be deemed to have been discharged with an honorable discharge if the Administrator determines that such individual's discharge was under conditions other than dishonorable.

"(d) Except as provided in subsection (b) of this section, an individual who has not yet become entitled to basic educa-

tional assistance under this chapter pursuant to subsection (a)(1)(A) of this section and who—

"(1) after the effective date serves at least two years of continuous active duty in the Armed Forces; and

"(2) before completion of the service described in clause (1) of this subsection, has received a secondary school diploma (or an equivalency certificate),

shall be entitled to such assistance while such individual is serving a year of active duty that, when completed, will result in such individual meeting the length and continuity-of-service requirement of subsection (a)(1)(A) of this section.

"§ 1412. Entitlement to basic educational assistance for service in the Selected Reserve

"(a) Subject to subsection (b) of this section and except as provided in subsection (c) of this section, an individual shall be entitled to basic educational assistance under this chapter if such individual—

"(1) after the effective date serves—

"(A) in any order (i) at least two years of continuous active duty in the Armed Forces characterized by the Secretary concerned as honorable service, and (ii) at least four years of continuous service in the Selected Reserve during which the

individual participates satisfactorily in training as required by the Secretary concerned; or

"(B) at least six years of continuous service in the Selected Reserve during which the individual participates satisfactorily in training as required by the Secretary concerned;

"(2) before completion of the duty or service described in clause (1) (A)(i) or (B) of this subsection, has received a secondary school diploma (or an equivalency certificate); and

"(3) upon completion of the duty or service described in clause (1) of this subsection—

"(A) is discharged with an honorable discharge, is placed on the retired list, or is transferred to the Standby Reserve or an element of the Ready Reserve other than the Selected Reserve after service in the Selected Reserve characterized by the Secretary concerned as honorable service; or

"(B) is ordered to or continues to serve on active duty or enters or continues to serve in the Selected Reserve.

"(b) For the purposes of clause (1) of subsection (a) of this section, the continuity of service of a member in the Selected Reserve shall not be considered to be broken—

"(1) by any period of time (not to exceed a maximum period prescribed by the Secretary concerned by regulation) during which the member if unable to locate a unit of a Selected Reserve that such member is eligible to join that has a vacancy;

"(2) by any other period of time (not to exceed a maximum period prescribed by the Secretary concerned under regulations such Secretary shall prescribe) during which the member is not assigned to a unit of a Selected Reserve and which the Secretary concerned, pursuant to regulations which such Secretary shall prescribe, determines should not be considered for the purpose of ensuring continuity of service; or

"(3) by any period of time during which such member serves on active duty.

"(c) An individual who receives a commission as an officer in the Armed Forces upon graduation from one of the service academies or upon completion of a program of educational assistance under section 2107 of title 10 is not eligible for educational assistance under this section.

"(d) For the purposes of subsections (a)(3) (A) and (e) of this section, an individual who, upon completion of such individual's full period of obligated service or upon such individual's discharge under section 1173 of title 10, has received a general discharge shall be deemed to have been discharged

with an honorable discharge if the Administrator determines that such individual's discharge was under conditions other than dishonorable.

"(e) Subject to subsection (b) of this section and except as provided in subsection (c) of this section, an individual who has not yet become entitled to basic educational assistance under this chapter by virtue of subsection (a) of this section and who—

"(1) after the effective date serves two years of continuous active duty in the Armed Forces or two years of continuous service in the Selected Reserve during which the individual participates satisfactorily in training as required by the Secretary concerned, or serves any combination of such types of service and the combined service equals at least two years of continuous service;

"(2) before completion of such two years of service has received a secondary school diploma (or an equivalency certificate); and

"(3) following completion of such two years of service has not been discharged or released from such service with a discharge other than honorable discharge or a characterization of such service by the Secretary concerned as other than honorable service,

shall be entitled to basic educational assistance under this chapter while such individual continues to serve either (A) on active duty, or (B) on continuous duty in the Selected Reserve, during which the individual participates satisfactorily in training as required by the Secretary concerned.

"§ 1413. Duration of basic educational assistance

"(a) Subject to section 1795 of this title and subsection (b) of this section, each individual entitled to basic educational assistance under this chapter is entitled to (1) one month of educational assistance benefits under this chapter for each month of active duty served by such individual after the effective date, and (2) one month of educational assistance benefits under this chapter for each three months served by such individual in the Selected Reserve after the effective date.

"(b) An individual may not receive basic educational assistance benefits under this chapter for a period in excess of thirty-six months (or the equivalent thereof in part-time educational assistance).

"§ 1414. Payment of basic educational assistance allowance

"(a) The Administrator shall pay to each individual entitled to basic educational assistance under this chapter who is pursuing an approved program of education under this chapter a basic educational assistance allowance pursuant to this section to help meet, in part, the cost of such individual's

subsistence, tuition, fees, supplies, books, equipment, and other educational expenses.

"(b) A basic educational assistance allowance under this subchapter shall be paid—

"(1) at the monthly rate of $300 for an approved program of education pursued on a full-time basis; or

"(2) at an appropriately reduced rate, as determined under regulations which the Administrator shall prescribe, for an approved program of education pursued on less than a full-time basis.

"SUBCHAPTER III—SUPPLEMENTAL EDUCATIONAL ASSISTANCE

"§ 1421. Entitlement to supplemental educational assistance

"An individual who has established entitlement to basic educational assistance under chapter II of this chapter by completing three years of continuous active duty after the effective date shall be entitled to supplemental educational assistance under this subchapter if such individual—

"(1) has been determined by the Secretary concerned to be serving in a category of personnel designated under section 1422 of this title;

"(2) has completed an additional three years of continuous active duty in such category; and

"(3)(i) has been honorably discharged or released therefrom, or (ii) is serving on active duty.

"§ 1422. Determinations of designated personnel categories

"In order to obtain or retain the services of sufficent numbers of personnel in specified skills, the Secretary concerned may designate, in accordance with regulations which the Secretary of Defense shall prescribe, categories of personnel for the purposes of section 1421(2) of this title.

"§ 1423. Payment of supplemental educational assistance allowance

"(a) The Administrator shall pay to each individual entitled to supplemental educational assistance under this chapter who is pursuing an approved program of education under this chapter supplemental educational assistance pursuant to this section to help meet, in part, the costs of such individual's subsistence, tuition, fees, supplies, books, equipment, and other educational expenses.

"(b) A supplemental educational assistance allowance under this subchapter shall be paid to an individual entitled thereto—

"(1) concurrently with the payment of the basic educational assistance allowance paid to such individual under subchapter II of this chapter; and

"(2)(A) at the monthly rate of $300 for an approved program of education pursued on a full-time basis, or (B) at an appropriately reduced rate, as determined under regulations which the Administrator shall prescribe, for an approved program of education pursued on less than a full-time basis.

"SUBCHAPTER IV—ADDITIONAL RECRUITMENT AND RETENTION INCENTIVES

"§ 1431. Additional amounts of assistance

"Subject to the availability of funds appropriated specifically for the purposes of this section, the Secretary concerned may, in accordance with regulations which the Secretary of Defense may prescribe to implement this section, increase the rate or rates of basic or supplemental educational assistance allowance, or both such allowances, payable to an individual on account of active duty service performed in a category of personnel designated under section 1422 of this title if (1) the Secretary concerned determines such action is necessary and appropriate in order to obtain or retain the services of sufficient numbers of qualified active duty personnel in such designated category of personnel, and (2) such action is approved by the Secretary of Defense. In no event may the amount by which such rates are increased under this section exceed $300 a month in the case of any individual.

"SUBCHAPTER V—GENERAL AND ADMINISTRATIVE PROVISIONS

"§ 1441. Expiration of periods during which entitlement may be used

"(a) Except as provided in subsections (b) and (c) of this section, the period during which an individual may use such individual's entitlement to educational assistance under this chapter expires at the end of the ten-year period beginning on the later of—

"(1) the date of such individual's last discharge or release from active duty; or

"(2) the last date on which such individual becomes entitled to any such assistance.

"(b) In the case of an individual who, subsequent to such individual's last discharge or release from active duty, was captured and held as a prisoner of war by a foreign government or power, the ten-year period described in subsection (a) of this section shall not run (1) while such individual is so detained, or (2) during any period immediately following such individual's release from such detention during which such individual is hospitalized.

"(c)(1) In the case of any individual—

"(A) who was prevented from pursuing such individual's chosen program of education prior to the expiration of the ten-year period described in subsection (a)

of this section because of a physical or mental disability (not including a condition described in paragraph (2)(A) of this section) which was not the result of such individual's own willful misconduct; and

"(B) who applies for an extension of such ten-year period within one year after (i) the last day of such period, or (ii) the last day on which such individual was so prevented from pursuing such program, whichever is later.

such ten-year period shall not run with respect to such individual during the period of time that such individual was so prevented from pursuing such program and such ten-year period will again begin running on the first day following such individual's recovery from such disability on which it is reasonably feasible, as determined under regulations which the Administrator shall prescribe, for such individual to initiate or resume pursuit of a program of education with educational assistance under this chapter.

"(2)(A) A condition referred to in paragraph (1)(A) of this subsection and in subparagraph (B) of this paragraph is an alcohol or drug dependence or abuse condition of an individual in a case in which it is determined, under regulations which the Administrator shall prescribe that—

"(i) such individual (I) has received recognized treatment for such condition, or II has participated in a program of rehabilitation for such condition; and

"(ii) such condition is sufficiently under control to enable such individual to pursue such individual's chosen program of education under this chapter.

"(B) In the case of any individual—

"(i) who was prevented from pursuing such individual's chosen program of education prior to the expiration of the ten-year period described in subsection (a) of this section because of a condition described in subparagraph (A) of this paragraph; and

"(ii) who applies for an extension of such ten-year period within one year after (I) the last date of the ten-year period otherwise applicable under this section, (II) the termination of the last period of such treatment or such program of rehabilitation, or (III) the date on which final regulations prescribed pursuant to subparagraph (A) of this paragraph are published in the Federal Register, whichever is the latest,

such ten-year period shall not, subject to subparagraph (C) of this paragraph, run with respect to such individual during the period of time that such individual was so prevented from pursuing such program and such ten-year period will again begin running on the first day, following such condition be-

coming sufficiently under control to enable such individual to pursue such individual's chosen program of education under this chapter, on which it is reasonably feasible, as determined in accordance with such regulations, for such individual to initiate or resume pursuit of a program of education with education assistance under this chapter.

"(C) An extension of the applicable ten-year period because of such condition shall be limited to the period of time the individual was receiving treatment or the period of time the individual was participating in a program of rehabilitation for such condition plus such additional length of time as the individual demonstrates, to the satisfaction of the Administrator, that the individual was prevented by such condition from initiating or completing such program of education, but in no event shall the extension be for more than four years.

"§ 1442. Suspension of educational assistance

"(a) The Administrator shall suspend the payment of educational assistance allowance under this chapter in the case of any individual who is assigned to a Reserve component of the Armed Forces in connection with establishing entitlement to educational assistance under this chapter and with respect to whom a certification has been received from the Secretary concerned stating that such individual is failing to serve satisfactorily in such Reserve component.

"(b) Unless the individual (except for the operation of subsection (a) of this section) is no longer entitled to such assistance, the payment of such assistance shall be reinstated upon receipt of certification from the Secretary concerned that such individual is serving satisfactorily as a member of such Reserve component.

"§ 1443. Exclusion of certain service for purpose of earning entitlement; bar to duplication of benefits

"(a) For the purposes of this chapter, the term 'active duty' does not include any period during which an individual (1) was assigned full time by the Armed Forces to a civilian institution for a course of education which was substantially the same as established courses offered to civilians, (2) served as a cadet or midshipman at one of the service academies, or (3) served under the provisions of section 511(d) of title 10 pursuant to an enlistment in the Army National Guard or the Air National Guard, or as a Reserve for service in the Army Reserve, Naval Reserve, Air Force Reserve, Marine Corps Reserve, or Coast Guard Reserve.

"(b) A period of service counted for purposes of repayment under section 902 of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141 note), of an education loan may not also be counted for purposes of entitlement to educational assistance under this chapter.

"(c) An individual entitled to educational assistance under a program established by this chapter who is also eligible for educational assistance under a program under chapter 31, 32, 34, 35, or 36 of this title or under chapter 106 or 107 of title 10 may not receive assistance under both programs concurrently but shall elect (in such form and manner as the Administrator shall prescribe) under which program to receive educational assistance.

"§ 1444. Extension to permit completion of term

"(a) If an individual is enrolled under this chapter in an educational institution regularly operated on the quarter or semester system and the period during which such individual may use such individual's entitlement under this chapter would, under section 1441 of this title, expire during a quarter or semester, such period shall be extended to the termination of such quarter or semester.

"(b) If an individual is enrolled under this chapter in an educational institution not regularly operated on the quarter or semester system and the period during which such individual may use such individual's entitlement under this chapter would, under section 1441 of this title, expire after a major portion of the course is completed, such period shall be extended to the end of the course or for twelve weeks, whichever is the lesser period of extension.

"§ 1445. Program requirements

"Except as otherwise provided in this chapter, the provisions of sections 1663, 1670, 1671, 1673, 1674, 1676, and 1683 of this title and the provisions of chapter 36 of this title, with the exception of sections 1777, 1780(c), and 1787, shall be applicable to the payment of educational assistance allowances under this chapter.

"§ 1446. Appropriations; administrative expenses; budget function

"(a) Payments of educational assistance allowances under this chapter shall be made from appropriations made to the Department of Defense (in the case of service in a military department) or the Department of Transportation (in the case of service in the Coast Guard) and transferred to the Administrator for such purpose.

"(b) The Secretary of Defense and the Secretary of Transportation, as appropriate, shall also transfer to the Administrator such funds as may be necessary to cover all expenses incurred by the Administrator in administering this chapter.

"(c) Transfers under subsections (a) and (b) of this section shall be made in advance, with necessary adjustments from time to time for overpayments and underpayments.

"(d) Appropriations and expenditures made to carry out this chapter shall be considered for budgetary purposes as

appropriations and expenditures made for national defense functions.

"§ 1447. Reporting requirements

"(a) The Secretary of Defense and the Administrator, not later than February 1 of the year beginning one year after the effective date and annually thereafter, shall each submit to the Congress reports on the operation of the programs provided for in this chapter and chapter 30 of this title.

"(b) The Secretary shall include in each report submitted under this section—

"(1) information indicating (A) the extent to which the benefit levels provided under such chapters are adequate to achieve the purposes of inducing individuals to enter and remain on active duty in the Armed Forces and to enter and remain in the Selected Reserve and of providing an adequate level of financial assistance to help meet the costs of pursuing a program of education, and (B) whether it is necessary, for the purposes of maintaining adequate levels of well-qualified active-duty personnel in the Armed Forces and well-qualified personnel in the Selected Reserve, to continue to offer the opportunity for educational assistance under such chapters to individuals who have not yet entered active-duty service; and

"(2) such recommendations for administrative and legislative changes as the Secretary considers appropriate.

"(c) The Administrator shall include in each report submitted under this section—

"(1) information (A) indicating the extent to which the benefit levels provided under such chapters are providing an adequate level of financial assistance to help meet the costs of pursuing a program of education, and (B) concerning the level of utilization of educational assistance and of expenditures under such chapters; and

"(2) such recommendations for administrative and legislative changes as the Administrator considers appropriate.

"CHAPTER 30—CAREER MEMBERS' CONTRIBUTORY EDUCATIONAL ASSISTANCE PROGRAM

"SUBCHAPTER I—DEFINITIONS

"Sec.
"1451. Purpose.
"1452. Definitions.

"SUBCHAPTER II—ELIGIBILITY; CONTRIBUTIONS; AND MATCHING FUND

"1461. Eligibility.
"1462. Contributions; matching fund.
"1463. Refunds of contributions.
"1464. Death of participant.
"1465. Discharge or release under conditions which bar the use of benefits.

"SUBCHAPTER III—ENTITLEMENT, TRANSFER, AND DURATION

"1471. Entitlement; payment.
"1472. Transfer of educational benefits.

"1473. Duration; limitations.

"SUBCHAPTER IV—ADMINISTRATION

"1481. Requirements.
"1482. Reports; accounts.
"1483. Administrative expenses; budget function.

"SUBCHAPTER I—DEFINITIONS

"§ 1451. Purposes

"The purposes of this chapter are—

"(1) to establish a contributory educational assistance program to enhance the ability of the Armed Forces to retain on active duty highly qualified men and women; and

"(2) to assist such individuals and their families in obtaining educations that they might not otherwise be able to afford.

"§ 1452. Definitions

"For the purposes of this chapter:

"(1) The term 'active duty' does not include any period during which an individual (A) was assigned full time by the Armed Forces to a civilian institution for a course of education which was substantially the same as established courses offered to civilians, (B) served as a cadet or midshipman at one of the service academics, or (C) served under the provisions of section 511(d) of title 10 pursuant to an enlistment in the Army National Guard or the Air National Guard, or as a Reserve for service in the Army Reserve, Naval Reserve, Air

Force Reserve, Marine Corps Reserve, or Coast Guard Reserve.

"(2)(A) The term 'eligible person' means any individual who is serving on active duty in the Armed Forces after completing ten years of such active duty.

"(3) The term 'Fund' means the Career Members' Education Account established pursuant to section 1462(a) of this title.

"(4) The term 'participant' means an eligible person who enrolls in the program and makes contributions to the Fund under section 1462(a) of this title.

"(5) The term 'program' means the educational benefits program established by this chapter.

"(6) The term 'program of education' has the same meaning provided in section 1652(b) of this title.

"SUBCHAPTER II—ELIGIBILITY; CONTRIBUTIONS; AND MATCHING FUND

"§ 1461. Eligibility

"(a)(1) An eligible person is entitled to enroll in the program at any time during such person's service on active duty. Except as provided in paragraph (2) of this subsection, when a person elects to enroll in the program, the person must participate for at least twelve consecutive months before such person may suspend participation in the program or disenroll from the program.

"(2) The provisions of paragraph (1) of this subsection which require at least twelve consecutive months of participation in the program before a participant may suspend participation or disenroll does not apply in the case of any participant who (A) suspends participation or disenrolls because of personal hardship, as defined in regulations issued jointly by the Administrator and the Secretary of Defense, or (B) is discharged or released from active duty.

"(b) A participant shall be permitted to suspend participation or disenroll from the program at the end of any twelve-consecutive-month period of participation. If participation is suspended, the participant shall be eligible to make additional contributions to the program under such terms and conditions as shall be prescribed in regulations issued jointly by the Administrator and the Secretary of Defense.

"(c)(1) Except as provided in paragraph (2) of this subsection, if a participant disenrolls from the program, the participant forfeits any entitlement to benefits under the program. A participant who disenrolls from the program is eligible for a refund of contributions as provided in section 1463 of this title.

"(2) A participant who has disenrolled may be permitted to reenroll in the program under such conditions as shall be prescribed in regulations issued jointly by the Administrator and the Secretary of Defense.

"§ 1462. Contributions; matching fund

"(a) Each eligible person enrolling in the program shall agree to have a monthly deduction made from such person's military pay. Such a monthly deduction shall be in any amount not less than $25 nor more than $100 except that the amount must be divisible by five. Any such amount so contributed by the participant and any amount contributed by the Secretary concerned pursuant to subsections (b) and (c) of this section shall be deposited in a deposit fund account which shall be established in the Treasury and shall be known as the 'Career Members' Education Account.' Contributions made by a participant shall be limited to a maximum of $6,000.

"(b) Except as provided in subsection (c) of this section, the Secretary concerned shall deposit in the Fund to the credit of a participant $2 for each $1 contributed by such participant under subsection (a) of this section. Deposits for the first twenty-four months of participation shall be made in the twenty-fifth month after the date on which the first contribution is made by such participant and periodically thereafter.

"(c) Pursuant to regulations which the Secretary of Defense may prescribe, the Secretary concerned may deposit in the Fund to the credit of a participant such amounts in addition to the matching funds deposited under subsection (b) of this section as the Secretary concerned considers necessary

34-268 0 - 85 - 3

or appropriate to encourage persons to remain on active duty in the Armed Forces.

"§ 1463. Refunds of contributions

"(a) Contributions made to the program by a participant may be refunded only after the participant has disenrolled from the program or as provided in section 1464 of this title.

"(b)(1) If a participant disenrolls from the program before discharge or release from active duty, such participant's contributions shall be refunded not later than sixty days after the date on which the Administrator receives notice from the Secretary concerned of such participant's disenrollment.

"(2) If a participant disenrolls from the program after discharge or release from active duty, the participant's contributions shall be refunded not later than sixty days after the date on which the Administrator receives such participant's application for a refund.

"§ 1464. Death of participant

"In the event of a participant's death, the amount of the unused contributions deposited in the Fund to the credit of such participant under section 1462 of this title shall be paid to the living person or persons first listed below:

"(1) The beneficiary or beneficiaries designated by such participant under the participant's Servicemen's Group Life Insurance policy.

"(2) The surviving spouse of the participant.

"(3) The surviving children of the participant, in equal shares.

"(4) The surviving parents of the participant, in equal shares.

If there is no such person living, such amount shall be paid to the participant's estate.

"§ 1465. Discharge or release under conditions which bar the use of benefits

"If a participant is discharged from active duty with other than an honorable discharge or released from active duty after service on active duty characterized by the Secretary concerned as other than honorable service, the participant is automatically disenrolled from the program and any contributions made by the participant under section 1462(a) of this title shall be refunded to the participant not later than sixty days after the date on which the Administrator receives notice from the Secretary concerned of such discharge or release.

"SUBCHAPTER III—ENTITLEMENT, TRANSFER, AND DURATION

"§ 1471. Entitlement; payment

"(a)(1) A participant shall be paid educational assistance in accordance with the provisions of this subchapter.

"(2) a participant shall be entitled to a maximum of thirty-six monthly educational assistance payments (or their equivalent in part-time payments) in addition to any amounts payable in the case of such participant under chapter 29, 31, 32, 34, 35, or 36 of this title.

"(b) Payment of educational assistance under this chapter shall not be made in the case of a participant who is serving on active duty until such participant has participated in the program for at least twenty-four months.

"(c)(1) The number of months of a participant's entitlement shall be the lesser of thirty-six or the number equal to the number of months in which the participant made contributions under section 1462(a) of this title.

"(2) The amount of educational assistance to which a participant is entitled under this section in any month is equal to the excess of—

"(A) the sum of all amounts deposited in the Fund to the credit of such participant under section 1462 of this title before such month, over

"(B) the total amount of such benefits paid out of the Fund under this chapter in the case of such participant before such month,

divided by the number of months of unused entitlement remaining in the case of such participant on the day before the

date on which the payment of benefits for such month is made.

"(d) Payment of educational assistance under this chapter in the case of any participant may be made only for periods of time during which such participant or transferee under section 1472 of this title is actually enrolled in and pursuing an approved program of education.

"§ 1472. Transfer of educational benefits

"(a) A participant may transfer any portion of such participant's entitlement to educational assistance payments under section 1471 of this title to such participant's spouse or child (in this chapter referred to as a 'transferee'). A participant may revoke a transfer made under this subsection at any time.

"(b) Any transfer or revocation of entitlement under subsection (a) of this section shall be made in accordance with regulations prescribed by the Secretary of Defense.

"(c) Notwithstanding any other provision of this chapter, educational assistance may not be paid under this chapter to a person divorced from the participant on whose service the person's entitlement is based.

"§ 1473. Duration; limitations

"(a) Educational assistance under this chapter may not be paid to or transferred by a participant at any time more

than ten years after the date of such participant's last discharge or release from active duty.

"(b) Educational assistance under this chapter may not be paid to a transferee at any time after the later of (1) the date ten years after the date on which benefits were transferred to the transferee, or (2) the date on which the transferee attains twenty-nine years of age.

"(c) In the event that a participant or transferee has not utilized any or all of such participant's entitlement by the end of the applicable period provided for under subsection (a) or (b) of this section, such participant is automatically disenrolled from the program and any contributions made by such participant remaining in the fund shall be refunded to the participant following notice to such participant and an application by such participant for such refund. If no application is received within one year from the date of such notice, it shall be presumed for the purposes of section 1322 of title 31 that the participant's whereabouts are unknown and the funds shall be transferred as directed in subsection (a) of such section.

"SUBCHAPTER IV—ADMINISTRATION

"§ 1481. Requirements

"The provisions of section 1663, 1670, 1671, 1673, 1674, 1676, and 1683 of this title and the provisions of chapter 36 of this title with the exception of sections 1777,

1780(c), and 1787, shall be applicable to the payment of educational assistance under this chapter. For the purpose of such provisions, transferees shall be considered to be eligible veterans.

"§ 1482. Reports; accounts

"(a) the Secretary of Defense shall submit to the Administrator a report each month showing the name, service number, and amount of the deduction made from the military pay of each participant enrolling in that month, any contribution made by the Secretary concerned under section 1462(c) of this title, and any change in each participant's enrollment or contribution. The report shall also include any additional information the Administrator and the Secretary of Defense consider necessary for the administration of the program.

"(b) The Administrator shall maintain accounts showing contributions made to the Fund by individual participants and by the Secretary concerned as well as disbursements made from the Fund in the form of payments or contributions withdrawn.

"§ 1483. Administrative expenses; budget function

"(a)(1) The Secretary of Defense and the Secretary of Transportation, as appropriate, shall transfer to the Administrator such funds as may be necessary to cover all expenses incurred by the Administrator in administering this chapter.

"(2) Transfers under paragraph (1) of this subsection shall be made in advance, with necessary adjustments from time to time for overpayments and underpayments.

"(b) Appropriations and expenditures made to carry out this chapter shall be considered for budgetary purposes as appropriations and expenditures made for national defense functions.".

(b) The tables of chapters at the beginning of such title and at the beginning of part III of such title are each amended by inserting before the item relating to chapter 31 the following new items:

"29. Peace-Time Veterans' Educational Assistance Program 1401
"30. Career Members' Contributory Educational Assistance Program ..... 1451".

COORDINATION WITH OTHER VETERANS' EDUCATION AND TRAINING PROGRAMS

SEC. 3. (a) Section 1508(f)(1) of title 38, United States Code, is amended—

(1) in subparagraph (A)—

(A) by inserting "29 or" before "34" the first place it appears; and

(B) by striking out "chapter 34" the second place it appears and inserting in lieu thereof "either chapter 29 or chapter 34"; and

(2) in subparagraph (B), by inserting "29 or" before "34".

(b) Section 1623 of such title is amended by adding at the end the following new subsection:

"(e) If a participant becomes entitled to educational assistance under chapter 29 of this title, the participant may elect to disenroll from the program under this chapter effective on the first day of the month in which the participant becomes entitled to such assistance.".

(c) The third sentence of section 1673(d) of such title is amended by inserting "29," after "chapter" the second time it appears.

(d)(1) Section 1781 of such title is amended—

(A) by inserting "29," after "chapter" the first time it appears;

(B) by striking out "36," and inserting in lieu thereof "36 of this title or chapter 106 or 107 of title 10,"; and

(C) by striking out the comma after "chapter 31".

(2) Section 1795(a) of such title is amended—

(A) in clause (4), by inserting "29," after "chapters"; and

(B) by inserting after clause (4) the following new clause:

"(5) chapters 106 and 107 of title 10;".

EDUCATIONAL LEAVE OF ABSENCE FOR ENLISTED MEMBERS OF THE ARMED FORCES

SEC. 4. (a) Chapter 40 of title 10, United States Code, relating to leave, is amended by adding at the end thereof the following new section:

"§ 708. Educational leave of absence

"(a) Under such regulations as the Secretary of Defense shall prescribe after consultation with the Secretary of Transportation and subject to subsection (b), the Secretary concerned may grant to any eligible member (as defined in subsection (e)) a leave of absence for a period of not to exceed two years for the purpose of permitting such member to pursue a program of education.

"(b)(1) A member may not be granted a leave of absence under this section unless—

"(A) in the case of an enlisted member, the member agrees in writing to extend the member's current enlistment after completion (or other termination) of the program of education for which the leave of absence was granted for a period of two months for each month of the period of the leave of absence; and

"(B) in the case of an officer, the member agrees to serve on active duty after completion (or other termination) of the program of education for which the leave of absence was granted for a period (in addition

to any other period of obligated service on active duty) of two months for each month of the period of the leave of absence.

"(2) A member may not be granted a leave of absence under this section until such member has completed any extension of enlistment or reenlistment, or any period of obligated service, incurred by reason of any previous leave of absence.

"(c)(1) While on a leave of absence under this section, a member shall be paid basic pay but may not be paid basic allowance for quarters or basic allowance for subsistence or any other pay and allowances to which the member would otherwise be entitled for such period.

"(2) A period during which a member is on a leave of absence under this section shall be counted for the purposes of computing the amount of a member's basic pay, for the purpose of determining the member's eligibility for retired pay, and for the purpose of time in grade for promotion purposes, but may not be counted for the purpose of completion of the term of enlistment of the member (in the case of an enlisted member).

"(d)(1) In time of war, or of national emergency declared by the President or the Congress, the Secretary concerned may cancel any leave of absence granted under this section.

"(2) The Secretary concerned may cancel a leave of absence granted to a member under this section if the Secretary determines that the member is not satisfactorily pursuing the program of education for which the leave was granted.

"(e) In this section, 'eligible member' means a member of the Armed Forces on active duty who is eligible for basic educational assistance under chapter 29 of title 38 and who—

"(1) in the case of an enlisted member, has completed at least one term of enlistment and has reenlisted; and

"(2) in the case of an officer, has completed the officer's initial period of obligated service on active duty.".

(b) The table of sections at the beginning of such chapter is amended by adding at the end thereof the following new item:

"708. Educational leave of absence.".

PRESEPARATION COUNSELING

SEC. 5. (a) Chapter 53 of title 10, United States Code, is amended by adding at the end thereof the following new section:

"§ 1043. Preseparation counseling requirement

"Effective not later than two years after the effective date provided for in section 8(b) of the Peace-Time Veterans' Educational Assistance Act, upon the discharge or release

from active duty of a member of the Armed Forces, the Secretary concerned shall provide for individual counseling of that member. That counseling shall include a discussion of the educational assistance benefits to which the member is entitled because of the member's service in the Armed Forces and an explanation of the procedures for and advantages of affiliating with the Selected Reserve. A notation of the provision of such counseling, signed by the member, shall be placed in the service record of each member receiving such counseling.".

(b) The table of sections at the beginning of such chapter is amended by adding at the end thereof the following new item:

"1043. Preseparation counseling requirement.".

TERMINATION OF RIGHT TO ENROLL IN CHAPTER 32 PROGRAM

SEC. 6. Section 408(a) of the Veterans' Education and Employment Assistance Act of 1976 (Public Law 94–502, 90 Stat. 2383, 2397) is amended—

(1) by (A) striking out "(1)" ' and

(2) striking out all after "Act) after" and inserting in lieu thereof "the effective date provided for in section 8(b) of the Peace-Time Veterans' Educational Assistance Act".

REPEAL OF THE 1989 TERMINATION DATE CONTAINED IN CHAPTER 34 OF TITLE 38, UNITED STATES CODE

SEC. 7. (a) Section 1662 of title 38, United States Code, is amended by striking out subsection (e).

(b)(1) Chapter 34 of such title is amended by adding at the end the following new section:

"§ 1694. Appropriations; administrative expenses

"(a) Payments of educational assistance for the pursuit of a program of education or of apprenticeship or other on-job training under this chapter or chapter 36 of this title after December 31, 1989, shall be made from appropriations made to the Department of Defense, the Department of Health and Human Services, and the Department of Transportation, as appropriate, and transferred to the Administrator for such purposes.

"(b) The Secretary of Defense, the Secretary of Health and Human Services, and the Secretary of Transportation, as appropriate, shall also transfer to the Administrator such funds as may be necessary to cover all expenses incurred by the Administrator in administering this chapter after December 31, 1989.

"(c) Transfers under subsections (a) and (b) of this section shall be made in advance, with necessary adjustments from time to time for overpayments and underpayments.".

(2) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"1694. Appropriations; administrative expenses.".

EFFECTIVE DATES

SEC. 8. (a) The amendments made by sections 6 and 7 shall take effect on October 1, 1983.

(b)(1) Except as provided in paragraph (2), the amendments made by sections 2 through 5 shall take effect on October 1, 1987.

(2)(A) Subject to subparagraph (3) and subsection (c), such amendments shall take effect of a date prior to October 1, 1987, as determined by the President, upon the recommendation of the Secretary of Defense, in accordance with the provisions of subparagraph (B).

(B) In making a determination pursuant to subparagraph (A), the President—

(i) shall take into account (I) the projected costs of carrying out the programs of educational assistance for men and women in the Armed Forces that would be established under chapters 29 and 30 of title 38, United States Code (as added by section 2(a)), (II) the Armed Forces' recruitment and retention experiences in the preceding fiscal year and projected recruitment and retention performances for the fiscal year in which such determination is made and the next four fiscal

years, and (III) other alternatives and their projected costs to enhance such recruitment and retention, and (ii)) shall determine a date for the establishment of such programs upon finding that the establishment of them on such date is, in terms of the factors specified in clause (i), necessary in the national interest of the United States in order to achieve the purposes of such chapters.

(C) Prior to making a recommendation under subparagraph (A), the Secretary of Defense shall consult with the Administrator of Veterans' Affairs and obtain and review the recommendations of the Secretaries of the military departments in terms of the considerations specified in subparagraph (B).

(3) The amendments made by sections 2 through 5 shall not take effect on the date determined pursuant to subparagraph (A) unless the President, not less than ninety days prior to such date, has submitted to the Committees on Armed Services, on Veterans' Affairs, and on Appropriations of the House of Representatives and the Senate written notice of, together with a report explaining the justification for, the determination.

(4) On each December 1 occurring in the years 1984, 1985, and 1986, the President shall decide whether to make a determination pursuant to paragraph (2), and shall, not

later than thirty days thereafter, submit to such committees a report explaining the reasons for that decision.

FUNDING

SEC. 9. (a) During the first fiscal year in which payments of educational assistance are to be made under chapter 29 of title 38, United States Code (as added by section 2(a)), such payments shall be made from funds in the Veterans' Administration readjustment benefits accounts to the extent that funds sufficient for making such payments are not available for transfer to the Administrator of Veterans' Affairs pursuant to section 1446(a) of such title.

(b) The Secretary of Defense and the Secretary of Transportation, as appropriate, shall transfer to the Administration of Veterans' Affairs for deposit in such account funds sufficient to reimburse the Administrator for payments made from such account pursuant to paragraph (1).

34-268 0 - 85 - 4

[No. 55]

COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

Office of the Administrator of Veterans Affairs — Washington DC 20420

Veterans Administration

NOVEMBER 8 - 1983

Honorable Alan K. Simpson
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This will respond to your request for the views of the Veterans Administration on S. 1747, 98th Congress, a bill cited as the "Peace-Time Veterans' Educational Assistance Act."

The Veterans Administration opposes the enactment of those provisions of S. 1747 which would establish new peacetime GI Bill education programs.

Two new educational assistance programs would be created for those veterans and members of the Armed Forces who serve on active duty after October 1, 1987, the effective date of the measure. An earlier effective date could be selected, however, if the President determines that such a date is in the national interest and notifies specified Congressional Committees not less than 90 days prior to such time.

The first educational program proposed in the bill is a new noncontributory program of basic and supplemental educational assistance. This program would be added as a new chapter 29 to title 38, United States Code.

Basic educational assistance at the rate of $300 per month for full-time pursuit would be granted individuals who serve on active duty for 3 or more years after the effective date, as well as those individuals who serve on active duty for 2 years or more after that date and who have agreed to serve in a Reserve component for a period of 4 or more years after their discharge or release. Individuals who serve at least 6 years of continuous service in the Selected Reserve after the effective date would also be eligible for basic educational assistance. Lesser amounts would be paid for part-time training. A high school diploma or an equivalency certificate is required before entitlement may be utilized. Service must have been honorable, except where a veteran was granted a general discharge, and service was determined by the Administrator to be under other than dishonorable conditions.

Supplemental educational assistance would be paid in monthly amounts of $300 in addition to the basic benefit (based on full-time pursuit) to those individuals who serve for 6 or more continuous years on active duty after the effective date, and who have a skill or speciality designated by the Secretary concerned as being in a specified skill area. Moreover, the Secretary concerned may increase the rates of basic or supplemental benefits, or both, by up to an additional $300 monthly if it is determined that such action is necessary in order to obtain or retain sufficient numbers of qualified active duty personnel in designated categories.

An individual may receive up to 36 months of basic benefits to a maximum of $10,800. An individual may also receive supplemental benefits not to exceed a maximum of $10,800, as well as an additional maximum of $10,800 to be paid a veteran who is designated to be in a specified skill area. Both types of benefits could be paid concurrently.

Individuals generally would have 10 years from their last discharge or release from service, or 10 years from the last date on which the individual becomes entitled to assistance to utilize such entitlement, whichever is later. Additional time periods could be allowed under certain circumstances, such as in the case of an individual who was held as a prisoner of war, or who suffered from a physical or mental disability not the result of the individual's own willful misconduct. In conjunction with the latter, an extension could be granted under certain conditions where the veteran's disability is due to an alcohol or drug dependence or abuse condition.

The second educational assistance program contained in S. 1747 is a career members' contributory educational assistance program which would be added as a new chapter 30 to title 38, United States Code.

Educational assistance entitlement would be provided to career service personnel who have served at least 10 years on active duty, and who have elected to enroll in the program while on active duty. Participants would contribute between $25 and $100 per month to the program through pay deductions up to a maximum of $6,000. The Department of Defense would contribute $2 for each $1 paid by a participant. The funds would be placed in a Career Members' Education Account. The maximum amount of entitlement under this contributory program would be 36 months, and benefits would be payable after an individual has

participated in the program for at least 24 months. A participant would be permitted to transfer entitlement to these benefits to a spouse or children. This contributory program would also permit participants to be eligible for the VA's education loan program contained in chapter 36 of title 38.

The Department of Defense and the Department of Transportation would be required to transfer funds to the VA to cover all expenses incurred in administering both the proposed chapter 29 and chapter 30 educational assistance programs.

S. 1747 would also terminate the right of individuals to enroll in the current chapter 32 (VEAP) program, effective October 1, 1987. It also provides for educational leaves of absences for enlisted members of the Armed Forces under certain conditions to permit them to pursue a program of education.

Lastly, S. 1747 would repeal the December 31, 1989, termination date for the current GI Bill program and provides that, in the event of such action, the Department of Defense, the Department of Health and Human Services, and the Department of Transportation would bear the cost of any benefits awarded eligible individuals under that program beyond that date.

The Department of Defense has stated that all military services are presently enjoying success in both recruitment and retention. Officials of DOD have stated that the present education program is working and it should be continued. The Administration believes consideration of any new education benefits legislation, as well as the specifics for any new education program, is unwarranted at this time.

The Veterans Administration supports this position. We do not believe that the present is the time for the enactment of any new GI Bill program. We also believe that any new program would have to be tailored to the needs of the Armed Forces at the time it is enacted. Thus, it would be inappropriate to add a new program to the statute books at this time.

The Veterans Administration also opposes the proposed termination of the chapter 32 VEAP program. It is our position that the VEAP program is working well. We would point out that recent statistics show that during Fiscal Year 1983, 25,883 veterans and service personnel trained under this program. In addition, as of the end of August 1983, there were approximately 230,000 active participants in this program. We believe this demonstrates that this program is effective.

4.

Honorable Alan K. Simpson

We also oppose those provisions of the measure which would allow an individual an extension of his or her 10-year delimiting period for utilizing educational assistance where the individual had an alcohol or drug dependence or abuse condition. We see no reason why alcoholism and drug dependence should be considered special categories that would not be considered willful misconduct. We further believe that creating an exception to considering such conditions as willful misconduct only in the case of education benefits would inexorably lead to extension of the exception to other benefits, and jeopardize program integrity. We, therefore, oppose any such easing of our traditional, uniform position that alcoholism and drug dependence should be considered willful misconduct for the purposes of our benefits programs.

On the other hand, the Veterans Administration has no objection to the removal of the current December 31, 1989, termination date for the GI Bill program, provided the provision requiring the Department of Defense to bear any costs incurred after that date is retained. We believe that individuals who remain in the service should be allowed a 10-year period after their discharge or release within which to use their GI Bill eligibility. The Department of Defense supports such a proposal since it is DOD's view that this would have the beneficial effect of retaining in the service those individuals with GI Bill eligibility who would otherwise leave the Armed Services to take advantage of these benefits. This would result in the loss of many highly trained individuals needed to maintain our military strength.

Although there will be no costs associated with this proposal during the first 5 fiscal years, primarily because the bill's effective date is not until October 1, 1987, there will be considerable long range costs associated with S. 1747. While information upon which to estimate these long range costs is not readily available, based upon our earlier cost estimate for a similar bill, S. 691, annual costs to the Department of Defense would approach or exceed $500 million by the middle of the next decade.

For the reasons set forth above, the Veterans Administration opposes those provisions of S. 1747 which would establish new peacetime GI Bill education programs. We also oppose those provisions of the bill which would terminate the VEAP program as well as those provisions which would grant alcohol and drug dependence exceptions in conjunction with education delimiting date extensions. However, we do favor those provisions which would repeal the December 31, 1989, termination date for the current GI Bill program provided the Department of Defense is required to pay any costs incurred under the program after that date.

We have been advised by the Office of Management and Budget that there is no objection to the submission of this report to the Congress and that enactment of S. 1747 would not be consistent with the Administration's objectives.

Sincerely,

Harry

HARRY N. WALTERS
Administrator

98TH CONGRESS
1ST SESSION

S. 1873

To require the President to report to Congress by July 1, 1987, concerning the need for a new educational assistance program for service members to assist in the recruitment and retention of qualified personnel in the Armed Forces, and to provide for the expeditious consideration of proposed legislation establishing such a program.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 22 (legislative day, SEPTEMBER 19), 1983

Mr. SIMPSON introduced the following bill; which was read twice and referred to the Committee on Armed Services

---

A BILL

To require the President to report to Congress by July 1, 1987, concerning the need for a new educational assistance program for service members to assist in the recruitment and retention of qualified personnel in the Armed Forces, and to provide for the expeditious consideration of proposed legislation establishing such a program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Recruitment and Retention Readiness Act of 1983".

SEC. 2. (a) The President, upon the recommendation of the Secretary of Defense, shall submit to the Congress, at a

time determined in accordance with the requirements of subsection (c), a report containing—

(1) information concerning the Armed Forces' recruitment and retention experiences in the preceding fiscal year and projected recruitment and retention performances for each of the five subsequent fiscal years, set forth according to branch of service, occupational specialty, and category of educational qualifications applicable in such branch of service in the case of a high school diploma graduate;

(2) an assessment of the additional marginal effectiveness of a new program of educational assistance for service members (taking into consideration the projected costs thereof) in recruiting and retaining qualified personnel, in comparison with the effectiveness of the recruitment and retention capabilities of the Armed Forces under laws and regulations in effect at the time that the report is submitted, together with an assessment of other alternatives and their projected costs to enhance such recruitment and retention capabilities; and

(3) such proposed legislation (hereinafter referred to as the "bill") or proposals for administrative action as the President considers necessary and appropriate to

address the recruitment and retention needs specified in such report.

(b) Prior to making a recommendation under subsection (a), the Secretary of Defense shall consult with the Administrator of Veterans' Affairs and obtain and review the recommendations of the Secretaries of the military departments in terms of the considerations specified in such subsection.

(c) The report required under subsection (a) shall be submitted not later than the earlier of—

(1) July 1, 1987; or

(2) such time as the President determines, upon the recommendation of the Secretary of Defense, that the Armed Forces are experiencing difficulties in recruiting and retaining qualified personnel, and that the establishment of a new program of educational assistance for service members is necessary in the national interest of the United States.

SEC. 3. (a) On the day on which the bill is submitted to the House of Representatives and the Senate under the first section, such bill shall be introduced (by request) in the House by the majority leader of the House, for himself and the minority leader of the House, or by Members of the House designated by the majority leader and minority leader of the House, and shall be introduced (by request) in the Senate by the majority leader of the Senate, for himself and

the minority leader of the Senate, or by Members of the Senate designated by the majority leader and minority leader of the Senate. If either House is not in session on the day on which such bill is submitted, introduction in that House shall take place, as provided in the preceding sentence, on the first day thereafter on which that House is in session.

(b) If the committee or committees of either House to which the bill has been referred have not reported it at the end of the forty-five-day period beginning on the date of its introduction, such committee or committees shall be automatically discharged from further consideration of the bill and it shall be placed on the appropriate calendar. A vote on final passage of the bill shall be taken in each House on or before the close of the day which is fifteen days after the date on which the bill is reported by the committee or committees of that House to which it was referred or such committee or committees have been discharged from further consideration of the bill. If there are differences between the bill as passed by the two Houses, such differences shall be resolved in a committee of conference, and a vote on final passage of the conference report on the bill shall be taken in each House on or before the close of the day which is thirty days after the date of final passage of the bill in both Houses.

[From the Congressional Record, Vol. 129, No. 123, pp. S-12751-S12752--Senate, September 22, 1983]

RECRUITMENT AND RETENTION READINESS ACT OF 1983

Mr. STEVENSON. Mr. President, I am introducing legislation today which is designed to address a concern which I share with many of my colleagues, regarding problems that may arise in the future in the recruitment and retention of qualified personnel in the Armed Forces. This legislation, the proposed Recruitment and Retention Readiness Act of 1983, would require the President to report to the Congress on a date no later than July 1, 1987, or such earlier time as the need may arise, concerning the need for new incentives, including a new educational assistance program for service members, in order to assist in the recruitment and retention of qualified personnel in the Armed Forces, and would provide for the expeditious consideration of such legislation as the President may propose in order to accomplish that goal.

Mr. President, in a letter of August 3 of this year, addressed to me as chairman of the Senate Committee on Veterans' Affairs, I was requested to schedule a hearing of peacetime GI bill legislation some time during this session or the next. The letter was signed by six members of the committee, including all minority members and the Senator from Pennsylvania (Mr. Heinz). The letter expressed support for the GI bill legislation which has been introduced by the Senator from Colorado (Mr. Armstrong) as S. 1747, and expressed the feeling that such a measure should proceed through the committee process.

Mr. President, as my colleagues will recall, S. 1747 came before the Senate 2 months ago, on July 13, 1983, as an earlier incarnation as an amendment to S. 675, the Defense Authorization bill. I raised my voice in what I hope was reasoned opposition to such an amendment—and a spirited and thorough and enlightening debate ensued. Ultimately, the amendment failed by a vote of 52 to 46 on a point of order, raised under sections [illegible] of the Budget Act.

[illegible] the continuing level of [illegible] legislation, which is reflected in the letter which I have mentioned as being received from my colleagues, has persuaded me that it is appropriate to [illegible] full and fair forum [illegible] discussion [illegible] which are raised [illegible] such a forum [illegible] consideration of [illegible] 1747 in the present [illegible] of the Budget Act [illegible] will conduct hearings to explore the need for GI bill legislation now and in the foreseeable future, and to consider how best to deal with such needs as may arise.

I trust that the bill which I am introducing today will contribute constructively to that discussion.

Mr. President, my bill—the proposed Recruitment and Retention Readiness Act of 1983—would require the President to submit to Congress a thorough report on the status of recruitment and retention in the Armed Forces during the next 4 years, including an assessment of possible solutions, if problems have arisen, and such draft legislation as may be necessary. The report would be required to be submitted no later than July 1, 1987—or on such earlier date as the President might determine that recruitment and retention difficulties exist and that the establishment of a new program of educational assistance for service members is necessary in the national interest of the United States. Any draft legislation proposed by the President in connection with the report would then be required to be considered by Congress according to a strictly established and expedited 90-day schedule: as specified in the bill, the committee or committees to which the President's proposed legislation had been referred would be required to report it within 45 days, or be automatically discharged from further consideration of it; a vote on final passage of the legislation would be required in both Houses 15 days thereafter; and an additional 30 days would be provided for cohference on the possible differences between the House and Senate versions, and then final passage of the conference report.

I do emphasize, Mr. President, that my bill would permit us to accomplish all the purposes of S. 1747 and would permit us to respond just as swiftly in the event that a need appears for GI bill-type legislation—but it has certain added advantages. Like S. 1747, it would require that the President inform the Congress of any serious recruitment and retention problems that may arise between now and 1987. And like S. 1747, there is a 90-day period for congressional action before any legislation would take effect. And where S. 1747 would require that the education programs set forth in it must automatically take effect no later than October 1, 1987, my bill would require the President to submit the recruitment-and-retention report described in the bill at a time 90 days earlier, in order that such legislation as may be necessary at that time could be enacted by October 1, 1987.

The significant advantages of my bill, as designed, are twofold: First, after there has been a Presidential determination that a need for legislation exists, both the President—in submitting the proposed legislation—and the Congress—in considering it—would have a full opportunity to tailor the legislation specifically to meet the needs that have been identified, unencumbered by the presumption of validity and the sense of legislative inertia which attaches to legislation which has already been enacted and which is simply waiting to take effect. The end result would be legislation which is fully responsive to the needs at that time. I would note that such uncertainty as may presently exist regarding our military situation in Central America and the Middle East, and about the manpower needs which might flow from that situation, would certainly lend an added importance to this consideration.

Second, my bill would not permit the curious result of enacting a major program which is designed to meet certain recruitment and retention needs, in the absence of any present determination that such a need exists. My bill reflects what I believe to be a very reasonable congressional policy that multibillion-dollar entitlement programs should not be enacted in the absence of some concurrent demonstration of a need for them. I should note that to the extent that it can be argued on the basis of information available today that a need will indeed exist in 1987, it is just as bizzare a congressional policy to enact legislation now based on that information which is to take effect at that time 4 years in the future, as it would be for us to enact legislation to take effect today based on some determination of need that was made 4 years ago—that is, through facts and figures and hearing records that were compiled in the summer of 1979. I believe that there is a much better way for Congress to do its business, and my bill suggests that way.

Mr. President, the Recruitment and Retention Readiness Act of 1983 would give Congress the opportunity, before enacting some very significant and costly entitlement legislation, to have an awareness of exactly where the problem lies and what it is, or whether it even exists at all, before crafting a legislative solution. Sounds like sense to me. I offer it as a constructive alternative to the various other pending legislative initiatives in the nature of a GI bill, and it is my hope that it will assist in sharpening the real issues, and ultimately will advance the goals which all of us share—which is to maintain a strong recruitment and retention effort, a strong Armed Forces, and a strong America.

Mr. President, I ask unanimous consent that the text of S. 1873 be printed in the Record at this point.

* * * * *

Chairman SIMPSON. I do not believe Senator Cranston will be present. He regrets that and indicates his expression of regret.

And I believe Senator Spark Matsunaga will serve to represent the minority. And I see him present this morning. It's nice to see you, Spark, and it's a distinct pleasure to have you back among us. You've been a great assistance to me as chairman and as ranking member. And you've certainly been in our thoughts and prayers during this recent time. And it's good to see you in fine fettle and nice to have you with us.

If you have anything you might want to add, please do.

Senator MATSUNAGA. Thank you, Mr. Chairman. And I wish to thank you initially and Senator Armstrong, too, and members of the staff who sent me wonderful, most encouraging messages of get well while I was in the hospital. And I especially enjoyed your note, Mr. Chairman, wherein you advised me to forget Henry J. Kaiser's advice about taking only 4 hours of sleep if you want to succeed.

Mr. Chairman, not to take any more time of the committee, I do have an opening statement which I would like to deliver at this time, if I may.

Chairman SIMPSON. Please proceed.

Senator MATSUNAGA. Mr. Chairman, let me begin by thanking you on behalf of the principal sponsors of S. 1747—Senators Armstrong, Cohen, Hollings, Cranston and myself—for scheduling of this hearing on our GI bill proposal. As you know, S. 1747 is the compromise, bipartisan measure introduced by Senator Armstrong and others last year and offered as a floor amendment to the defense authorization bill last July.

Unfortunately, the bill was not on the agenda for the committee's hearings last year. Today, we will be able to receive the official views of the Department of Defense, the Congressional Budget Office, and the General Accounting Office, as well as from the Vice Chief of Staff of the Army, Gen. Maxwell Thurman.

Mr. Chairman, I am sure you will be the first to agree that this committee and its counterpart in the House of Representatives, have looked at the issues surrounding the need for a new GI bill long and hard. Very little of our deliberation has to do with veterans or veterans' affairs; it has to do, instead, with the need of the military services to be able to compete in the marketplace and with the Nation's colleges for bright young men and women.

Granted, this is primarily the jurisdiction of the Committee on Armed Services. However, the fact of the matter is that a postservice educational benefit program for military personnel must first emerge from this committee, no matter how much of a recruiting tool it is designed to be. For this reason, the sponsors of S. 1747 are hopeful that this committee will debate and mark up some form of a GI bill and send it to the Armed Services Committee for its consideration. We, the cosponsors, are prepared to work with you, Mr. Chairman, towards this end.

When all is said and done, Mr. Chairman, in our debate on the need for a new GI bill now, or a couple of years from now, I think this entire issue will boil down to the one central question of whether or not the military services, especially the Army and the Navy, will be able to meet their quality manpower requirements—

and I emphasize the word "quality", Mr. Chairman—in the mid-to-late 1980's.

Others may argue that cost is the major factor against a new GI bill; or that it would have an adverse impact on retention. Still others, the civilian manpower officials at the Department of Defense in particular, would contend that enlistment and reenlistment bonuses can, at lower cost, bridge the quality recruiting gap that most, if not all, manpower experts are predicting will occur during the next several fiscal years.

I have problems with each of the above arguments which, I might add, were the same arguments we heard in the late 1970's when some of us were pointing to recruiting shortfalls and quality deficiencies.

First, with respect to cost, I think our Nation and the military services can afford a GI bill for the All-Volunteer Force. While it will be more expensive than the current mix of inducements which include cash bonuses and, in the Army's case, a mini-GI bill known as the Army College Fund, I do not believe that the cost would be prohibitive, given the GI bill's proven effectiveness in bringing in large numbers of high-quality recruits, especially those who have college objectives.

Moreover, there are cost savings associated with the GI bill that must be considered in terms of decreased attrition costs, reduced training and retraining costs, among others.

The ever-increasing costs associated with enlistment bonuses must also be factored into any cost analysis of the GI bill. If the economy heats up faster than expected, if unemployment falls faster than expected, I would imagine that the Department of Defense is, under its current system of recruiting inducements, going to have to increase its cash bonus incentive. It will also have to increase its recruiting costs and recruitment advertising costs.

Mr. Chairman, all of these additional costs are considered, I think the GI bill looks better and better.

We must also take into account the immeasurable benefit which has accrued to the Nation because of the increased number of college-educated young people who received their education under the GI bill. These men and women are generally more successful in private life; they pay more taxes, buy more goods, and contribute more to the economy than less educated individuals.

Second, with respect to the retention argument, I must admit that any GI bill carries with it an incentive to get out of the service in order to use the benefits. We're seeing that happening today as the 1989 delimiting date approaches—and that is a problem that must be addressed, and is addressed in our bill, S. 1747.

Admittedly, there will always be some degree of loss of skilled career personnel to the need to get out and use the GI bill educational benefits; but, as the military services will tell us, this can be mitigated to a reasonable extent by programs providing for inservice education and use of benefits. We have also attempted, in our bill, to blunt the GI bill's impact on retention by allowing for the transfer of educational benefits from a service member to his or her spouse or children.

Mr. Chairman, I would also like to emphasize that the manpower chiefs of each of the military services, in testimony last year before

the House Veterans' Affairs Committee, indicated that while the impact of the GI bill on retention is of concern to them, it is far outweighed by the proven ability of the GI bill to recruit large numbers of high-quality youths.

In every case, Mr. Chairman—Army, Navy, Air Force, Marines—the manpower chiefs endorsed the enactment of a GI bill for the All-Volunteer Force because of their concern that they will not be able to compete effectively in the labor market and the college market for high quality recruitment in the mid-to-late 1980's.

The predictions of future recruiting shortfalls by the services are supported by such diverse sources as the President's military manpower task force and the Congressional Budget Office. In the case of the President's military power task force, the final report of the task force issued in November 1982 predicted that if economic conditions improved and unemployment declined, as forecast by the administration, and if military pay and benefits stayed comparable to levels in the private sector, the Army would still begin experiencing difficulties in meeting accession quality requirements by fiscal year 1985.

The CBO has testified, and will do so again today, I believe, that if the economy recovers at a faster rate than anticipated, Army and Navy recruitment might fail to meet congressional minimums later in this decade. According to CBO, military pay caps in 1985 or beyond would also have a similar effect, as would projected increases in the size of the career force.

The CBO also notes that if the services, particularly the Army, decide to keep recruit quality near today's highs, quality recruitment problems may result in the near future. What CBO does not say is what would happen if all or most of these things happened within the next couple of years—a severe setback to our combat readiness.

As you may know, Mr. Chairman, the Chief of Staff of the Army, Gen. John A. Wickam, was on Capitol Hill 2 weeks ago and testified before the Armed Services Committee that Army recruiting stations attracted 22 percent fewer applicants during the last quarter of 1983 than a similar period 1 year earlier. I also understand that 12 percent fewer recruit contracts were signed during the same period as compared to the year before. General Wickam was quoted as saying that the downturn in recruiting "may be a harbinger of an upturn" in the economy. It may also be an indication that the unemployment situation is improving much faster than expected.

If the economy continues to improve, as the President predicts, even if military pay and benefits remain competitive with the private sector over the next couple of years, there is a real chance of another recruiting crisis. The existence of more jobs in the private sector is bound to be a strong attraction to the labor market-bound half of the pool of high quality high school graduates.

The college-bound half of the recruit pool has never really been greatly attracted by the cash inducements offered by the military services. As a result, there will be an intensified competition between the military and the private sector for a reduced number of labor market-oriented high school graduates.

And what about the effect of an improved economy on retention? It seems logical that lucrative opportunities outside the military will begin to draw mid-level, career personnel away from the military, despite reenlistment bonuses. The bottom line is that a decline in retention will make the need for quality recruits even greater and the job of military recruiters even more difficult.

This can be avoided, Mr. Chairman, by passage of S. 1747, provisions of which become effective in fiscal year 1987, when most manpower experts believe the recruiting problems will fully manifest themselves.

I am afraid that if we wait to legislate a GI bill until a manpower crisis is upon us, it would take too long to meet the crisis, for surely, every effort will be made to block its passage by those who would like to see a return to the draft. In other words, Mr. Chairman, it would be too late to save the All-Volunteer Force.

Mr. Chairman, I hope that this committee will report out a GI bill, be it S. 1747 as introduced, or in a compromised form, so that the Armed Services Committee and the full Senate will have an opportunity to consider this important issue before the end of this Congress.

I thank you very much, Mr. Chairman, and I apologize for the lengthiness of my opening statement.

Chairman SIMPSON. Thank you very much, Senator Matsunaga.

Without objection, I will place in the record at this point the written statements of Senators Alan Cranston, Strom Thurmond, Rudy Boschwitz, William S. Cohen, Ernest F. Hollings, and Larry Pressler.

[The prepared statements of Senators Cranston, Thurmond, Boschwitz, Cohen, Hollings, and Pressler follow:]

PREPARED STATEMENT OF HON. ALAN CRANSTON, RANKING MINORITY MEMBER OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Good morning to each and all of you. I am delighted to join in welcoming you to this hearing.

This marks the fourth hearing since 1980 that this Committee has conducted on GI Bill legislation for the All-Volunteer Force. I wish once again to underscore my strong belief in the importance of educational benefits as an important way to encourage recruitment and retention in the military. However, in light of the recent experience of all four of the military service branches in recruitment and retention of the quantity and quality of young men and women needed to support our national defense on active duty as well as in the reserves, I am not convinced that it is necessary for a new GI Bill program to be in place at this time.

Nevertheless, I do not believe we should wait until these successes disappear -- as they easily could if the economy continues its recovery and the unemployment rate continues to drop -- to consider the kind of GI Bill that would then be necessary to help meet our national security needs. We shouldn't wait until it's raining to fix the roof. That's why the measure I coauthored -- S. 1747, the proposed "Peace-Time Veterans' Educational Assistance Act" -- contains a "fail-safe" effective date provision that is designed to take into account both the current and likely future recruitment and retention situations.

S. 1747 was introduced by Senator Armstrong, joined by Senators Cohen, Hollings, Matsunaga, and myself, on August 3, 1983. It is identical to the amendment we offered on July 13, 1983, to S. 675, the proposed "Omnibus Defense Authorization Act, 1984", and which the Senate defeated on a procedural vote of 52 to 46. That amendment and this bill incorporate and blend together major features of a measure I introduced along with Senators DeConcini and Hart on January 26, 1983 -- S. 8, the proposed "All-Volunteer Force Educational Assistance Act" -- and a measure introduced by Senators Armstrong, Cohen, Hollings, Matsunaga, Andrews, Garn, Inouye, and Tsongas on March 7, 1983, S. 691, the proposed "Veterans' Educational Assistance Act of 1983".

As I noted, I have long believed very strongly that educational incentives, if properly designed and implemented, can aid significantly in helping to insure the success of the All-Volunteer Force. Educational benefits -- as part of a military compensation system made up of both pay and benefits -- have a special, important role to play in increasing the numbers and quality of men and women we are able to attract to and keep in the Armed Services. In this connection, I first introduced in December of 1980 a measure designed to establish such a program of benefits. That was S. 3263, the proposed "All-Volunteer Force Educational Assistance Act of 1980", in the 96th Congress. I reintroduced modified versions of that legislation in the 97th Congress as S. 417 on February 5, 1981, and as S. 8 in this Congress.

The major impetus for enactment of a GI Bill-type program has derived in large part from concerns about the inability of the Armed Forces to recruit and retain qualified individuals.

At the time I introduced S. 417 in early 1981, recruitment and retention shortfalls in the Armed Forces were reaching emergency proportions. The four service branches had each failed to reach their recruitment goals in Fiscal Year 1980, and retention rates were very low. The caliber of new recruits was also a major concern.

However, the situation has improved since then. Indeed, Secretary of Defense Weinberger characterized Fiscal Year 1982, in terms of both recruiting and retention, as "one of the best years since the beginning of the All-Volunteer Force, was better than most years under conscription, and even surpassed the excellent results" of the preceding year. In Fiscal Year 1983, all four services continued to meet their goals.

Thus, in my opinion, implementation today of a peace-time GI Bill-type program is not justifiable, and that is not what we are proposing in S. 1747.

But I believe we must bear in mind the large problems waiting down the road that may undermine the current recruitment and retention success. The pool of eligible young men is projected to decline significantly over the next decade. By 1987, the size of the enlistment-age-youth population is expected to decline by 15 percent or almost 1.3 million. Based on the lower birth rates of 1965 through 1980, the size of the pool of potential eligibles isn't expected to increase for some time.

Competition among the military, colleges, and industry for increasingly smaller numbers of qualified and talented young men and women will intensify. Moreover, a significant improvement in the economy could substantially reduce the attractiveness of military service as well as encourage more individuals to leave the military rather than "re-up" when they complete their hitches. Evidence of this is already beginning to show. On February 2, Army Chief of Staff General John A. Wickham testified before the House Armed Services Committee that the Department of the Army has, in the last quarter of 1983, attracted 22 percent fewer applicants than it did during the same period in 1982.

To address these foreboding problems, our bill proposes enactment now of a peace-time GI Bill educational incentive program effective October 1, 1987. I believe that the evidence before us now indicates quite clearly that we will need this program by then. However, in the event that the President were to determine, based on recruitment and retention experience, that the programs to be established by the bill are needed before Fiscal Year 1987, the President would be authorized -- after giving 90 days notice to the Congress -- to make such a determination and bring the programs into effect sooner.

Mr. Chairman, I am delighted that this hearing will examine the issues involved in the establishment of a new peace-time GI Bill and want to thank you for your cooperation in scheduling this hearing and for providing an opportunity for the proponents of this measure to invite witnesses. Just as you noted in your September 22, 1983, letter to me in response to my August 3, 1983, letter requesting that a mark-up be scheduled on peace-time GI Bill legislation, I, too, hope that we will be in a better position to weigh the need for a mark-up when we have finished today's hearing.

PREPARED STATEMENT OF HON. STROM THURMOND, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

MR. CHAIRMAN:

It is a pleasure to be here today to receive testimony on S.1873, the proposed "Recruitment and Retention Readiness Act of 1983"; S.1747, the proposed "Peacetime Veterans' Educational Assistance Act"; and the existing Veterans Educational Assistance Program, known as VEAP.

Mr. Chairman, as one who recognizes the crucial need for this Nation to maintain a strong defense, I believe that great importance should be placed on having high calibre, qualified people in the military. Fortunately, over the past several years, the Armed Forces have had greater successes in recruiting and retaining quality personnel than ever before-during draft time or otherwise.

There are some who predict, however, that recruitment and retention shortfalls will arise later in this decade. I believe that Congress must be prepared to address such shortfalls, should they occur.

The two legislative proposals before this Committee today are designed to ensure, in very different manners, that we are prepared to address recruitment and retention problems. S. 1747 would authorize two new, very expensive, educational assistance programs for servicemembers. These programs would take effect in 1987 or at such time prior to that date as the President determines that they are necessary. While I am a strong supporter of educational benefits for servicemembers, there appears to be strong

34-268 0 - 85 - 5

evidence that broad, across-the-board educational assistance programs are not the most efficient and cost-effective means of manning the Armed Forces. Other methods, such as cash bonuses, or increased recruitment efforts, appear to provide results at less cost. Additionally, at a time when there is a great need to reduce Federal deficits, I do not believe that we can justify the enactment of an expensive new entitlement program.

S. 1873 proposes to require the President to report to Congress in 1987, or prior to that time if necessary, concerning the need for new incentives, in order to assist in the recruitment and retention of qualified personnel in the Armed Forces. This legislation, in contrast to S.1747, would allow Congress to retain the flexibility to address shortfalls when they arise and with the most appropriate methods available. It should be noted that such an approach would not foreclose enactment of a new educational assistance program, such as the one proposed by S.1747.

Mr. Chairman, I want to commend you for scheduling this hearing to consider this very important matter. We have a group of very distinguished witnesses today, and I look forward to their testimony.

PREPARED STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM THE STATE OF MINNESOTA

MR. CHAIRMAN, I AM VERY PLEASED THIS COMMITTEE IS HOLDING A HEARING ON THE NEED FOR A NEW GI BILL. AND I'M PLEASED TO SEE THAT MY GOOD FRIEND SENATOR ARMSTRONG WILL BE SPEAKING TO US TODAY.

AS YOU KNOW, MR. CHAIRMAN, I HAVE BEEN VERY SUPPORTIVE OF A NEW GI BILL FOR SEVERAL YEARS. IN FACT, I HAVE COSPONSORED NEW GI BILL PROPOSALS IN THE LAST TWO CONGRESSES. AND MY REASONS FOR THESE ACTIONS ARE SIMPLE. FIRST, I DON'T BELIEVE THE CURRENT EDUCATION PROGRAM AVAILABLE TO VETERANS IS EFFECTIVE OR ADEQUATE. THE VETERANS EDUCATION ASSISTANCE PROGRAM (VEAP) HAS A PARTICIPATION RATE OF ONLY 25 PERCENT. AND OF THOSE WHO SIGN UP, ONLY 60 PERCENT ACTUALLY STAY IN. THIS MEANS LESS THAN 20 PERCENT OF THOSE MEN AND WOMEN ENTERING THE SERVICE WILL BE ELIGIBLE FOR AN EDUCATION BENEFIT WHEN THEY LEAVE. THIS COMPARES TO AN OVER 60 PERCENT USAGE OF THE OLD GI BILL. CLEARLY VETS ARE NOT BEING WELL SERVED.

AND SECOND, I CONTINUE TO BE CONCERNED ABOUT RECRUITING AND RETAINING HIGH QUALITY RECRUITS. CURRENTLY, THE ARMED SERVICES ARE EXPERIENCING EXCELLENT RECRUITING YEARS. IN 1980 ONLY 49 PERCENT OF THE ARMY'S RECRUITS WERE HIGH SCHOOL GRADUATES, BUT BY 1982 THIS PERCENTAGE HAD JUMPED TO 87 PERCENT.

AND LAST YEAR IT WAS AROUND 90 PERCENT AS WELL. TO PUT THIS IN PERSPECTIVE DURING THE DRAFT ERA THE LEVEL WAS ONLY ABOUT 70 PERCENT. CLEARLY, RECRUITING IS GOING WELL. BUT THE KEY QUESTION TO ASK TODAY IS -- WILL IT REMAIN THIS HIGH? AND IF THE NUMBER OF HIGH SCHOOL GRADUATES AGAIN FALLS BELOW 50 PERCENT CAN OUR MODERN ARMY FUNCTION AT A HIGH LEVEL?

IT SEEMS TO ME THAT AS OUR POOL OF AVAILABLE RECRUITS SHRINKS WHEN BEGINNING IN 1986 THE PROPORTION OF MILITARY AGED YOUTH IN THE POPULATION BEGINS A STEEP DECLINE, AND AS THE ECONOMY CONTINUES TO IMPROVE, WE SHOULD BE PREPARED TO HANDLE THE POTENTIAL RECRUITMENT AND RETENTION PROBLEMS THAT MAY OCCUR. THIS IS WHY I HAVE COSPONSORED SENATOR ARMSTRONG'S BILL, AND THIS IS WHY I ALSO SUPPORT YOUR BILL, MR. CHAIRMAN.

I BELIEVE A NEW GI BILL COULD BE AN EXCELLENT SOLUTION TO BOTH PROBLEMS I HAVE MENTIONED, BUT GIVEN THAT THE ARMSTRONG PROPOSAL WAS DEFEATED LAST SUMMER WHEN OFFERED AS AN AMENDMENT, I FEEL THAT A PRESIDENTIAL REPORT ON THE RECRUITMENT AND RETENTION SITUATION WOULD BE A GOOD INTERIM STEP.

PREPARED STATEMENT OF HON. WILLIAM S. COHEN, A U.S. SENATOR FROM THE STATE OF MAINE

I want to thank Senator Simpson for holding this hearing on the GI bill, an issue of great importance to our armed services and indeed to our nation. I am sorry I cannot be here today to present this testimony personally, but appreciate this opportunity to submit this written statement on the GI bill, a piece of legislation about which I care a great deal, and for which my advocacy runs very deep.

When I first introduced legislation more than 4 years ago to revive the GI bill, there existed a serious shortfall of higher quality manpower for our armed services. Admiral Thomas Hayward testified before the Armed Services Committee, on which I serve, that we had, "A hemmorrhage in the ranks of the Navy." And General Edward Meyer, then Chief of Staff of the Army, told us of the "hollow Army" that was having readiness problems because of the shortage of qualified personnel.

I can attest to a certain satisfaction we felt on the committee when Secretary Weinberger testified a few weeks ago on the great improvements we have made in the manpower of our armed services. The Secretary pointed out that restored pride in our armed services has translated into changes for the better in recruitment, retention and the overall morale of personnel. Each of the services reached or exceeded its targets for recruiting in FY 1983. There have also been significant increases in the number of high school graduates who choose to serve their country.

However, our present success in improving recruitment could

be jeopardized by changing conditions in the future -- conditions for which we must be prepared or suffer the consequences.

As unemployment goes down, military service may no longer be as attractive to potential high quality recruits, particularly if pay for military personnel is again allowed to fall significantly below comparability with the civilian sector. And with a diminishing manpower pool throughout the decade of the 1980's, the risks of trying to cut corners in compensation for military personnel are made even greater.

The Army Research Insititute produced a study in late 1982 which concluded, "If the jobless rate declines as fast as the administration projects, without corresponding increases in military pay or education incentives, the Army could miss its recruiting goal for male high school graduates by 34,000 (or about 35 per cent) by fiscal year 1986...." The Institute predicted "problems ahead for the services in attracting sufficient numbers of high school graduates once the nation's economy turns around."

I am pleased to note that General Maxwell Thurman is testifying today. General Thurman, then the Army's personnel chief and now its vice chief of staff, told me in an Armed Services Committee that he would prefer reinstitution of the G.I. Bill to VEAP. His sentiments have been echoed by other military personnel experts and endorsed by service recruiters.

They support a new G.I. Bill for one simple reason. It will result in a better force, while benefiting the nation. The armed forces will have reduced costs through lower attrition rates and improved trainability, unit performance will be enhanced, and

readiness will be improved.

Last fall, the Army Recruiting Command conducted a study which concluded that there is a direct link between a tank commander's mental aptitude -- as measured on the Armed Forces Qualification Test -- and the performance of his tank crew during gunnery and simulated combat drills. The study found that a platoon of tanks commanded by Mental Category II tank commanders will have a combat exchange ratio of 7.45 enemy killed to one tank lost. The exchange ratio for tanks commanded by those in Mental Category IV is only 1.33 to 1 -- an 82 per cent degradation in performance.

The significance of this is that, while the services are having virtually unparalleled recruiting success, they are still not bringing in as many individuals in the top two mental categories as they would like. Educational incentives for service would improve their ability to attract these top quality recruits.

As the study concluded, it is almost certain that by 1987, the combination of an improved economy and a smaller pool of eligible recruits will make a new program of educational incentives essential. The job of recruiters will be getting more difficult, especially since they will still be obligated to meet the quality standards we imposed a few years ago.

I should note parenthetically that when Congress established those quality standards, it established goals higher than those achieved in many draft years. Further, it mandated only that those standards apply in a volunteer environment. I do not approve of this double standard, and I can sympathize with those who see it as unfair and suggest that these standards have been put in place

as a time bomb ticking against the volunteer force.

If we are to have those standards, though, we must give the services and their recruiters the tools they need to attract the kind of people that we have mandated that they must. With a new G.I. Bill, we will be providing the young men and women who choose to serve with a benefit which will be of both short and long-term value to them.

The presence of greater numbers of educationally motivated young men and women will, I believe, have a leavening effect on the others with whom they will serve. And greater numbers of high school graduates will lend stability to the ranks.

To those who say G.I. Bill benefits should go only to those who have served during wartime, and not those serving in today's peacetime environs, I can only take the strongest exception. Many who served during World War II and the Korean and Vietnam conflicts did so here in the United States or in other places out of harm's way.

The young men who gave their lives in Iran, the Marines who were stationed in Pakistan when the Embassy there was overrun, the sailors who spent months in the Indian Ocean, and the brave young men who are now on assignment in Lebanon and Central America would, I suspect, take issue with those who say that those serving in peacetime should not be entitled to this kind of benefit. Are they any less worthy than those who spent two years on state-side duty during an earlier conflict?

The G.I. Bill proposal we have introduced is one geared for success. It will attract more college-bound individuals and raise the quality of recruits from our high schools. It will help

members of the armed services improve themselves through education while in service, and it will allow those in our reserve forces to use educational benefits.

In one of his writings on education, the English poet John Milton advocated "A complete and generous education that which fits a man to perform justly, skillfully (sic) and magnanimously all the offices both private and public of peace and war."

Nearly three and a half centuries later, this principle still holds true -- maybe even more so in times when serving one's country requires more skill and courage than ever.

Our legislation simply requests that our armed services be given the proper tools to attract to their ranks people of the highest skill and courage, and that once in the service, these people be given the tools with which they can better serve their country.

PREPARED STATEMENT OF HON. ERNEST F. HOLLINGS, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

Mr. Chairman and distinguished members of this Panel, I appreciate the opportunity to provide the Committee with my views on the critical need to reinstitute the G.I. Bill program. I say this with a strong conviction. We need the G.I. Bill.

In 1984, spending for our national defense will be $265 billion. The 1985 budget projections for defense are $313 billion or more than double the $145 billion provided for defense in the 1980s. About half the defense budget goes toward weapons R&D and procurement and operations and maintenance -- for the readiness and sustainability of our troops. The remaining 50% is spent on our manpower needs. The DoD says that we are getting the high quality, trainable personnel through the All Volunteer Force (AVF) that are needed to operate our new and advanced technology systems.

Everywhere one turns are heard wondrous stories of how the DoD is more than meeting its recruiting objectives. We hear that the "military is back. It's respectable. We are over the Vietnam syndrome." I don't believe that. I don't feel that any member of this Committee or of the U.S. Senate believes that. Check the polls and see how your average American feels about troops in Lebanon or Central America. No, we are not over Vietnam when it comes to American involvement.

There's one reason -- and only one reason -- why the military is meeting its recruitment objectives. There are no jobs for the young 17 to 25 year old citizens. The success of the AVF does not come from an enlightened citizenry

that feels a duty to serve its nation. It comes only from the hard times that all our young citizens are facing and from the sobering fact that for them there is no job market. Teenage unemployment is 20%; for black teenagers, unemployment is 50%. The Reagan Administration promises an economic revival while our young people grow desperate for work. But the DoD incredibly boasts that it is successful in meeting personnel goals. They hide the truth that their success comes only from the pains of idleness and unemployment resulting from callous policies that favor the wealthy at the deprivation of all others. And now we are confronted with the prospect of thousands of college graduates unable to find employment in the Reagan depression. Their only hope lies in our Armed Forces. This is not a commitment for national duty -- but the path of last resort.

The Administration's shallow view of success ignores the broadening need for the highest quality and educated recruit for our future Army. The percent of recruits that score in Category I and Category II in the Armed Forces Qualification Test is much lower today than the percent of draftees scoring in the same category in 1964, the last pre-war year before Vietnam. 33.7% of our draftees scored in these highest categories in 1964; in 1981 only 23.6% scored in Category I and II. The Reagan depression -- and the influx of unemployed high school graduates -- has caused some improvement in 1982 and 1983 figures.

We must upgrade the quality of the Armed Forces and reward those that sacrifice for our national security. A new G.I. Bill is the most effective, and cost effective step we can take to improve the quality of recruits for our Armed Forces. To meet this goal, I was pleased to introduce -- along with my

distinguished colleagues, Senators Armstrong, Matsunaga, Cohen and Cranston -- a new G.I. Bill program for our Armed Forces.

We must recruit more high-quality, highly motivated young men and women. The manning problems of our Armed Forces will become quite severe in future years when the pool of young, service-age people is diminished and if our economy improves. Demographic forecasts show that young males age 19 will diminish over the next decade by 25%. Further, if the projected male college population is excluded from the potential pool for DoD recruits, it will be necessary for the DoD to recruit more than one out of every two males by the early 1990s.

The educational benefits provided by a new G.I. Bill should attract increased numbers of high school graduates into the services and will assist them in retaining the career middle-grade noncommissioned officers needed to train and lead our fighting men.

Under the provisions of the new G.I. Bill, veterans could receive education assistance payments of up to $300 per month for up to a total of 36 months while attending an approved educational institution. Eligibility for benefits at this level would be attained through a number of active duty and Reserve service options. For example, a young man could enlist for 2 years of active duty and agree to serve 4 years in the Reserves to become eligible for the maximum benefits commencing at the time he is honorably discharged from active duty. A longer period of active duty would reduce the Reserve obligation. Military personnel who perform in critical skill and combat arms jobs as designated by a Service Secretary could be eligible for up to a $600 a month benefit.

A unique feature of the bill is that it also provides educational benefits for persons who serve in the Reserve Forces without having served on active duty. While the benefits for eligible reservists are roughly one-third or what is provided to active service veterans, they are still substantial and should prove to be an attractive recruitment incentive. The Reserves are experiencing even greater difficulties in filling their ranks with quality people than the Active forces. I believe that this bill can go a long way toward providing the needed incentives to draw young men and women into the Reserve Forces.

A second unique feature of the bill which should have the greatest appeal to our career military people is a provision which provides for transferability of benefits. As written, the bill would enable a person eligible for education benefits to transfer these benefits to one or more of his dependents -- but not to exceed the 36-month/$300 level. This requires a contribution from the military member that is matched on a two for one basis by the DoD. Thus, for every $1,000 contributed by the serviceman, DoD will kick in $2,000. I believe that this will provide an extremely valuable retention incentive for many of the very important middle-grade noncommissioned officers. An alarmingly large number of these small unit leaders are presently leaving the services because they cannot afford to send their children to college on the military pay they receive. This bill can provide them the assistance they need to educate their children while continuing in a career that most of them prefer.

Support for the G.I. Bill starts at the White House. President Reagan indicated he would reinstitute the G.I. Bill as a campaign promise that is yet

unfilled. Nonetheless, I would like to provide the following quotations from the many supporters of the G.I. Bill program.

"I will ask Congress to reinstate the G.I. Bill, a program which was directly responsible for the most rapid advance ever in the educational level of our population."

Ronald Reagan
Televised Address to Nation
October 19, 1980

President Reagan is far from alone in his appreciation of the benefits to the Armed Forces and to the country of a new G.I. Bill. Below are excerpts from the testimony at the most recent of the 24 hearings that have been held on the G.I. Bill during the last three Congresses, this one before the House Veterans Affairs Committee on April 12, 1983:

"The Army must have an educational pull mechanism permanently authorized in law which is not subject to the vagaries of year to year change...The education benefits about which we are speaking do two things at once. They are recruitment incentives for us, and they are rewards for service to the Nation."

— LTG Maxwell Thurman, USA
Deputy Chief of Staff
for Personnel

"No Americans are more deserving of educational assistance than those who serve our Nation in the military services. I believe their service and their sacrifice should be rewarded. Although the individual services would benefit greatly by a G.I. Bill, I believe in the long run our country benefits even more."

— Vice Adm Lando Zech, USN
Deputy Chief of Naval Operations

"I think the G.I. Bill is a must for the future. I have been in the recruiting business, and I can look down the pike and know that the talent market is going to become much smaller, competition is going to become much more intense with industry and other means looking for the quality of youngsters we want, and I think that a good education bill in the future will be of great assistance."

— LtGen C.G. Cooper, USMC
Deputy Chief of Staff for Manpower

"There is no question about it: A new G.I. Bill will help recruitment, retention and society, and I think it is especially important as we look down the road and see a recovering economy, a declining pool of eligible youth to serve the country, and some programmed growth in the Air Force. A new G.I. Bill would help us attract and retain the kinds of people that we need in the increasingly complex and high technology Air Force that we have today."

-- MajGen. Kenneth Peek, USAF
Deputy Chief of Staff
for Manpower & Personnel

"The VFW supports the concept of a peacetime G.I. Bill and has testified so on previous occasions. We recognize the undeniable need of the military to attract and retain qualifed, high-caliber personnel.

-- James N. Magill
Special Asst., Natl Leg Service
Veterans of Foreign Wars

"The G.I. Bill model for recruitment and retention is preferable to a contributory educational program."

-- G. Michael Schlee
Director, Natl Security Commission
American Legion

"AMVETS, which was born with the original G.I. Bill, believes that the traditional hard distinctions between wartime and peacetime veterans, which has formed the matrix for much of our veterans' legislation, is becoming increasingly irrelevant in this age of constant, increasingly dangerous and expensive struggle with the forces of totalitarian communism throughout the world...The sacrifices which military service exacts, especially in terms of years away from that period of life usually devoted to education are just as real for the peacetime veteran as for his wartime comrade. The crucial need for armed forces of the highest caliber is greater now than at any time in our history, including periods of hostilities. AMVETS believes that it is high time that the dignity of military service during this age of peril be recognized at least to the same degree that wartime service has been recognized in the past."

-- LTC David Passamaneck, USA (ret)
Legislative Director
AMVETS

"We believe that recruiting and retention in the Armed Forces in the future will become more difficult and that consideration supports the creation of a G.I. Bill. But we have also said...that we believe the creation of a G.I. Bill is something that should not be done specifically

for the purpose of recruiting and retaining people in the Armed Forces, but also for the good that it has on the Nation's economy and for its positive effect on veterans."

— Richard W. Johnson
National Legislation Director
NonCommissioned Officers Assn.

"A new G.I. Bill should not be considered as an expenditure of funds; rather, it should be considered as an investment of funds...An investment in the youth of America is one of the best, for it returns the highest dividends."

— Max Bielke
Legislative Counsel
National Association for Uniformed Services

"An educational assistance program is a proven, highly effective recruiting incentive. Not only is it a strong magnet among bright, motivated youngsters; it also is attractive to their parents."

— Col. Erik Johnson, USA
Director of Legislative Affairs
Association of the U.S. Army

"The Fleet Reserve Association, in cooperation with U.S. Rep. Duncan Hunter, held a public G.I. Bill Forum in San Diego. Thirty-nine active duty witnesses, ranging from pay grades E-3 with three years of servcie to E-9 with 30 years of service, presented the views of over 200,000 active duty personnel. Amazingly enough, the views of all personnel, those in the Tidewater area, Boston and San Diego, were the same: a peacetime G.I. Bill was needed and all felt such a program would attract and retain Service personnel."

— Robert W. Nolan
Natl Executive Secretary
Fleet Reserve Assn.

In closing, let me state that the Congress has moved decisively in recent years to provide our military forces with the modern, high technology equipment they need to at least keep abreast of the Soviets from a weapon systems standpoint. But, as we all know, we are now at a point where we must significantly improve the quality of our military manpower. I believe that we must now move resolutely to remedy this problem if the security of this Nation is to be assured. I believe a new G.I. Bill can be a major step in that direction. I am very pleased to join with my colleagues in introducing this vital legislation.

PREPARED STATEMENT OF HON. LARRY PRESSLER, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman, I commend you for holding this hearing on veterans education--in particular, as it pertains to S. 1747, a bill introduced by my distinguished colleague Senator Armstrong. As a strong supporter and cosponsor of this legislation providing for a new G.I. Bill, I am pleased to see the attention this issue has received.

Were it not for the G.I. Bill, thousands of American servicemen would never have been able to attain the academic and vocational skills needed for a successful career. Educational assistance is of vital importance as our military people, whether draftees or volunteers, readjust to civilian life. That we should provide this assistance to them in recognition of their countless sacrifices for this country is only fair.

Some have said that the present educational package of the VEAP program and the Army College Fund is sufficient to meet service personnel educational needs. For the present, it may be adequate. But let us not forget that the presently favorable recruiting situation is a result of the poor economic situation in recent years. Also, we must take note of the fact that the number of service-eligible youth is on the decline. Offering this shrinking group the proper educational incentives to join the service is of vital importance.

34-268 0 - 85 - 6

That the G.I. Bill previously has been aimed primarily at the readjustment process does not make it useless as a recruiting tool. We must realize that times change and our recruiting methods must adapt to these changes. As I see it, the key elements to emphasize are that a new G.I. Bill is needed to assure that we will continue to meet our recruiting needs and to assist future service people in attaining a quality education once they recommit themselves to civilian life.

Another very important aspect of this legislation is the extension of the Vietnam-era G.I. Bill beyond 1989. For many Vietnam veterans, this is a necessity if they wish to complete their military careers and to utilize the educational benefits to which they are rightly entitled. A great injustice would be done to these veterans if the 1989 deadline is not repealed.

Mr. Chairman, S. 1747 is an opportunity for us to adopt some longer-range legislation which will meet important future requirements. It will provide a program whereby the educational needs of our service members will be properly met. Without it, we will again see a time in the late 1980s when the recruiting goals of the armed services will not be met.

Chairman SIMPSON. Senator Armstrong, thank you for your patience and I hope we haven't discommoded your schedule too much. I appreciate hearing from you.

TESTIMONY OF HON. WILLIAM L. ARMSTRONG, A U.S. SENATOR FROM THE STATE OF COLORADO

Senator ARMSTRONG. Mr. Chairman, thank you for the opportunity to appear and to have a chance to meet with you today. And I am especially glad to be here and to hear the stirring and eloquent and insightful statement of our colleague, Mr. Matsunaga, and to welcome him back. From his general appearance and vitality and demeanor it would appear to me that the reports of his illness have been greatly exaggerated, for which we are all very grateful.

Chairman SIMPSON. Indeed.

Senator ARMSTRONG. Mr. Chairman, I hope at the right moment that every Senator will be on the floor to hear the statement which Mr. Matsunaga has just made which so clearly explains why a GI bill is a critical priority for this Nation's defense.

And in view of his extraordinarily good statement, I am not going to attempt to speak at any length. I would like to insert in the record of this proceeding a prepared statement which gives some of the historical background and some of the statistical data. And with your permission I will simply summarize my own thoughts and try to deal briefly with what I perceive as some of the main objections.

The legislation which I am here to endorse, S. 1747, is really a compromise which has been worked out after considering some of the best features of several pending GI bill proposals—those which Senator Matsunaga and I, along with Senator Cohen, Senator Hollings and others introduced—proposals which have been surfaced and debated in the House and other committees.

Our bill, which is now under the sponsorship of a number of our colleagues who are mentioned in my prepared statement, really is a compromise which we think is cost-effective, which will deal in an effective manner with both the quality and quantity issues of recruiting for future years, and which in my judgment also has the effect of reestablishing a tradition of service rewarded by education benefits that is, in my opinion, one of the most satisfying and fulfilling of our past.

Mr. Chairman, if you think about the history of Congress and bills that have been introduced in the past, there is only a handful of really outstanding successes—the landmark legislation creating the land grant colleges; the interstate highway program, and a few others. On that list, if anybody were to look over the entire legislative history of this country and say what are the 10 or the 12 or the 20 most significant programs enacted by Congress, I believe that the GI bill would be high on that list.

And I think that history will record one of the most serious mistakes which has been made by Congress was the termination of the GI bill in December of 1976.

Prior to the time that Congress did so military experts warned of the probable consequence. The Army, for example, indicated that the pool of potential recruits would be reduced by about 37 percent

right off the top. And the consequences which were predicted, not only in terms of the difficulty of recruiting recruits of high quality, but also in meeting numerical goals, have not only been realized, but, in fact, have been exceeded. The actual results, in short, have been much worse than had been predicted.

In my prepared statement I discuss at some length the drop in quality and numbers, and I believe that figures rather conclusively show that the GI bill prior to 1976 was a powerful recruiting tool.

Only in the last few years, due in large part to long overdue pay increases, have we had much more satisfactory recruiting experience. Again, I'd have to give credit to my colleague from Hawaii who was one of those who helped lead the way to get a pay increase for the troops which was long overdue.

Certainly we can be proud of the rate of reenlistment, and the increase in aptitude and education of new members of the armed services during the last 24 months.

But that isn't a long-term solution to the problem for the reasons which my colleague from Hawaii has already pointed out. In fact, you don't have to have a crystal ball to see disaster looming on the horizon, not only for demographic reasons, but also because of the projected changes in the economy. Traditionally good economic times have meant bad times for recruiting.

And, moreover, Mr. Chairman, this notion that somehow you can totally compensate service with money I think is not borne out by past history, nor by the keenest scholarly insights into what motivates people who want to serve in the armed services.

And I would urge members of the committee to consider carefully not only the testimony of such distinguished military sociologists as Charles Moskos, but also as reflected in part in my statement at the advice of military leaders such as General Thurman—who I believe is scheduled to testify later today—General Cooper, General Peek, and others.

Mr. Chairman, I'd also like to say a word briefly about the inherent cost advantages of using GI bill education incentives as a part of an overall mix in attracting and holding the quality of men and women we need in the armed services.

Mr. Matsunaga has already pointed out the countervailing savings. And in my statement I also discuss these at some length.

These, I find, are generally ignored in any analysis of the projected costs of the GI bill. I also want to make the point that GI bill incentives are paid out after the fact. In other words, you are paying for what you have already received in contrast to enlistment, and reenlistment bonuses, which are paid up front.

So it not only helps us from a cash flow standpoint, but as has been previously mentioned sometimes we're now in the position of paying enlistment bonuses to people who, in fact, do not serve out their term of enlistment.

However, Mr. Chairman, I do not think that the GI bill should be viewed solely as a military recruitment measure. In a very significant sense it is also an investment in the future from which every American, not just the person who gets the benefit, actually is well served.

A number of my colleagues during the course of debate on this issue on the floor came up to me and said:

Yes, I'm going to vote for this amendment notwithstanding the fact that it is not yet in the budget; notwithstanding the fact that it has not been approved by the committee for the very simple reason that I wouldn't have gotten to college if it hadn't of been for the GI bill.

And I heard that same statement over, and over again from people in and out of the Senate. And it simply emphasizes the reality of the situation. This has been a great program aside from its effect on the national defense, and aside from its effect on military preparedness.

This has just been a program which has enriched the lives, and contributed to the prosperity of millions of American families over a long period of time.

It's a fine program. It should not have been terminated. And that either in the version which Senator Matsunaga and I have introduced along with Mr. Cranston, Mr. Hollings, and Mr. Cohen, and others, or in some alternate version should be put back into the law.

Now, Mr. Chairman, in my prepared statement I've also included a section-by-section analysis of the proposal which I would like the committee to consider.

And I would like to turn briefly then to what I am led to believe are the principal objections to this proposal, or others like it.

First is the question of cost. Aside from the countervailing savings issue, which is usually ignored by opponents of the GI bill, I just want to point out that we already have a GI bill. What we don't have is the GI part of it.

The Federal Government is giving out, and perhaps properly so, very large sums of money in support of students who are seeking higher education in this country.

Now, it appears to me that if we can afford to simply do this to deserving students that the very least that we could do is have a corresponding program for those who are willing to serve their country. In fact, if it comes down to a priority I have no doubt in my mind that people who are willing to serve their country as a part of a incentive-based arrangement deserve priority over those who are simply desirous of having a college education. I think that's a good tradition.

Now, the second major objection which is often cited is that basically things are going fine, and indeed, that is true. I'm told that last year both the Navy and the Air Force had record reenlistment rates. And in the Army the proportion of new enlisted personnel with high school graduation was over 90 percent. That's up by—well up from something in the 60 percent range, just 3 years ago.

So a lot of people are saying, in effect, if it ain't broke don't fix it.

Mr. Chairman, that's an attractive, but in my opinion, very shortsighted approach to the problem. In fact, as a student of military history I can't help recalling that that sort of thinking, that unwillingness to address problems before they reach the crisis point has over, and over again, been the prelude to military and strategic disaster for our own country, and all the way back, I guess, to the dawn of recorded history. That's exactly what happened when Philip of Macedon came after the Greek city states; this unwillingness to prepare before it was too late; spelled disaster

for them, as it did for King Philip; in the naval engagements of the 1500's, and for the Prussians when they refused to look at military realities, and change their ways, even though they had the most courageous of military personnel, and they were ably led. They simply would not react to changing conditions.

I am personally convinced that that same head in the sand ostrich like posture is what precipitated World War II in our own time. I think I will not bring my résumé of historical unpreparedness up-to-date because I don't want to introduce an element of controversy.

But anybody who looks around the world right now can see that we are in or near various kinds of armed conflicts that arise directly from an unwillingness to plan ahead and solve problems before they reach crisis points.

I'm just saying, Mr. Chairman, that this military personnel problem, may not seem very pressing in good economic times, in the first days of 1984. However, the long-term problem is real; it isn't going to go away· we're going to be beaching ships again; we're going to go back to what one of our leaders called a hollow army at some point in the future unless we build in the kind of incentives—GI bill incentives that will produce the continued stream of enlistments and reenlistments we need.

Finally, Mr. Chairman, I want to observe without propounding a solution, that the advocates of the GI bill have found themselves repeatedly in a catch-22 situation. I want to acknowledge my appreciation to the chairman of this subcommittee, and this committee, for trying to help us. But we have run into really two different kinds of dilemmas.

First is the budget dilemma. On the one hand we are not permitted to offer an amendment to create this program because it isn't in the current year's budget. And then we can't offer it in the out years because it's subject to a point of order.

Now, I understand, in part, that the issue before this committee is what will be the effect on present recruiting of the GI bill whose effective date is 2 or 3 years after the enactment date.

I would just like to suggest, Mr. Chairman, that while that may be a concern, that's something that we can overcome one way or another if we really want to enact this legislation. I'd say the same thing about the question of jurisdiction.

On one of the occasions when I suggested this as a floor amendment somebody got up and said "well, look, this is within the jurisdiction of the Armed Services Committee." I'm not sure from a parliamentary standpoint that that is true, but certainly the Armed Services Committee has a valid interest in it.

The chairman will recall that I, at one point, asked that this legislation be sequentially referred, or jointly referred so that both committees will have an opportunity to hold hearings on it. But there was objection to that.

And so we find ourselves without a ready parliamentary way to let both committees look at the proposal at the same time.

As far as I'm concerned, Mr. Chairman, that's all mood music anyway. The real issue is whether or not this is good legislation. And it's obvious that I think it is.

So I hope the committee will proceed to mark up a bill and bring it to the floor in some form or another, and get on with it because I have reason to think the House is willing to act on this. And I believe that the wisest advice we can get indicates that this legislation is very much in need.

Chairman SIMPSON. Thank you very much. I had a hunch you thought this was good legislation. I was interested in your historical prospective of being underprepared.

I guess from my perspective I think if some legions that were overprepared and didn't help them much, why, Maginot lines, and Siegfried lines, and Chinese Walls, so I think there's history on both sides of that one.

Senator ARMSTRONG. And, Mr. Chairman, it's pretty clear that the Maginot line was a form of ill preparedness. It was not—it's not a question, I think, in every case of how much we spent. I'm becoming increasingly convinced that we've got to find ways to save money in the defense budget. I'm more convinced of that even than I have been in the past.

But it's a question of where we put our emphasis. And I don't mean to overdraw the historical parallel, but I really must say I am impatient with the argument that we don't need a GI bill because we are meeting our recruiting targets.

And that's all I was saying, is that if it ain't fixed—"if it ain't broke don't fix it" argument really does not apply in this case.

Chairman SIMPSON. Well, certainly there has been no one in the Senate who's been more attentive to the budget in the deficit situation. And that's why it's very important for me to hear how we are going to accomplish this when there's no more singular clear voice on the issue of where we go with these things that start small and end big. And that's where I see this heading personally, and you and I differ on that.

And I thank you very much. And we'll look forward to working with you, and we'll keep you closely advised as we process the legislation in the rich art of possible compromise here. And I thank you.

Senator MATSUNAGA. If I may, I'd like to congratulate and commend the Senator from Colorado for the great leadership he has displayed in this regard. And had it not been for his being at the forefront of this issue I think this would have long been buried underground.

I'm proud to be associated with the Senator from Colorado as a cosponsor. Thank you.

Senator ARMSTRONG. Mr. Chairman, I'm very grateful to my colleague from Hawaii for his overly generous observations.

And, Mr. Chairman, in closing, if I may just say that your own reservations about this legislation, which we have discussed before, have prompted me to reconsider my own position. I recognize the legitimacy of the concerns you have expressed.

I'd like to say on the record what I have said to you privately, is that I hope we're going to be able to compose our differences. I'm convinced under careful study that the most serious objections to this proposal can be answered; that the modified version of the legislation which is now pending, in fact, does respond to most of those objections.

In any event, I very much appreciate your courtesy, and your willingness to take a look at it and see if we can work something out.

Chairman SIMPSON. Well, I share Senator Matsunaga's view. You have been tenacious, and very effective in this, and it is true, it would have passed from the scanner without your help.

Senator ARMSTRONG. Thank you, Mr. Chairman.

Chairman SIMPSON. Thank you very much.

[The prepared statement of Hon. William L. Armstrong, a U.S. Senator from the State of Colorado, follows:]

PREPARED STATEMENT OF HON. WILLIAM L. ARMSTRONG, A U.S. SENATOR FROM THE STATE OF COLORADO

Mr. ARMSTRONG. Thank you, Mr. Chairman. Senators Cohen, Hollings, Matsunaga, Cranston, and I have joined together to restore G.I. Bill education benefits in S.1747, the Peace-Time Veterans Educational Assistance Act. This G.I. Bill is a carefully thought out compromise which blends the best features of G.I. Bills introduced in the 97th and 98th Congresses, and which is compatible with the provisions of H.R.1400, the leading G.I. Bill proposal in the House of Representatives. Senators Bradley, D'Amato, DeConcini, Dole, Hart, Hawkins, Kasten, Kennedy, Mitchell, Boschwitz, and Pressler have signed on as cosponsors. The specific provisions have been much discussed, and I have placed a summary of S.1747 at the end of the text. I think it would be most valuable at this time to review why a G.I. Bill is so important for the country.

Congress is caught between a rock and a hard place. Huge and mounting budget deficits demand that federal spending be held down. But in this time of rising world tension, we must also strengthen our defenses so Americans can be kept safe, free, and at peace.

As we try to stretch too few dollars to cover too many needs, we can no longer afford to ignore a simple, proven measure which will save us money as it strengthens our defenses...the G.I. Bill.

Congress passes hundreds of bills each session. Some have done much good. Some have proven to be terrible mistakes. But there are only a handful of bills we can look back on as truly landmark successes. The establishment of the land grant universities was one. The great hydroelectric projects of the 30's and the interstate highway system of the 50's were others.

One measure certain to make anybody's short list of landmark successes is the G.I. Bill. The World War II and successor G.I. Bills put a college education within the reach of millions who would not otherwise have been

able to obtain one, fueled the postwar economic boom, and, according to some estimates, ultimately will return to the Treasury from three to six times its cost in higher revenues.

The G.I. Bill has also proved to be the most effective, and cost-effective recruiting device the Armed Forces ever had. It was especially attractive to the high-aptitude, highly motivated young men and women our Armed Forces need so badly as they become ever more technology-oriented.

Congress' decision to terminate the G.I. Bill in December, 1976, ought to make everybody's longer list of terrible mistakes. The Army had warned us what would happen. In September of 1974, the Army conducted a survey of 11,336 recruits at Armed Forces Examining Stations (AFEES) throughout the United States. Twenty-four percent of those interviewed said flatly they would not have enlisted were it not for the G.I. Bill. An additional 36 percent said they weren't sure whether they'd have enlisted or not if they hadn't been made eligible for education benefits. After factoring out the indifferents, the Army concluded termination of the G.I. Bill could depress the pool of potential recruits by as much as 36.7 percent, all right off the top.

That wasn't all. In its report to the Secretary of Defense, the Army said terminating the G.I. Bill would require a 17 percent increase in annual accessions just to offset increased losses due to attrition (servicemembers administratively discharged prior to completion of their term of obligated service) the Army could expect as a result of drawing a disproportionate number of recruits from the lower mental categories.

The actual results were even worse that the Army had feared. By the 1980 fiscal year, the number of Army recruits scoring in the highest mental category had plunged by two-thirds, and the number of volunteers in the

second highest category had dropped by more than half. The attrition rate had climbed to nearly 40 percent, more than double the 18 percent rate the Army had predicted Congress would find "unacceptable."

Although the Army suffered most, recruiting for all the other services also was severely impaired by cancellation of the G.I. Bill. In the Air Force, the proprotion of recruits in the two highest categories on the Armed Forces Qualification Test (AFQT) dropped from 53.8 percent in FY 1977 to 40.2 percent by FY 1979, nearly a 25 percent drop in high-aptitude recruits in just two years. A Center for Naval Analysis study indicated cancellation of the G.I. Bill reduced the pool of recruits willing to enlist in the Marine Corps by 17 percent, and reduced the number of high school graduates willing to become Marines by 24 percent. In the Navy, the percentage of recruits scoring in the two highest mental categories declined from 43 percent in FY 1976 to 35 percent in FY 1979, and the percentage of recruits in the lowest category quadrupled, from 5 percent to 21 percent.

We received solid proof of what a powerful recruiting tool the G.I. Bill was in the three months before termination of the post-Korean G.I. Bill went into effect, but we paid the evidence no heed. The fourth quarter of the year usually is the poorest recruiting quarter for all the Armed Forces. But between October 27, 1976, when Congress passed the law cancelling the G.I. Bill, and December 31, when the cancellation when into effect, all the services signed up a higher proportion of high quality recruits than they had in any other recruiting quarter before or since. In the Air Force, the proportion was nearly double what it customarily is for that quarter of the year.

Cancellation of the G.I. Bill clearly was a major contributor to the military manpower crisis which gripped our Armed Forces in 1979 and 1980.

The Chief of Staff, Gen. Meyer, said his was a "hollow Army," and the Navy actually was beaching ships for lack of skilled sailors to man them.

Thanks in part to long overdue increases in military compensation that were enacted in 1980 and 1981, and in larger part to the severe recession which sent unemployment rates to 10.8 percent, the highest since the Great Depression, and youth unemployment rates to a staggering 24.5 percent, we have, for the time being, moved back from the brink of catastrophe in military recruiting and retention. The 1981 fiscal year was the best recruiting year since cancellation of the G.I. Bill, and FY 1982 was better still.

But even in the otherwise excellent recruiting years of FY 1981 and FY 1982, there were ominous signs. Despite recruit pay which was 59 percent higher than it had been in 1976, initial enlistment bonuses which in the case of nuclear submariners could exceed $20,000, and youth employment rate nearly twice what it had been in 1976, the percentage of recruits in the two highest mental categories in FY 1982 still trailed the proportion of high aptitute recruits when the G.I. Bill was still in effect, and the proportion of recruits in the lowest category was nearly twice what it had been before the G.I. Bill was cancelled. Furthermore, the disparity in actual numbers was even greater. Because of reduced end strengths and greater retention, the number of recruits declined from 397,000 in FY 1976 to 305,700 in FY 1982.

We don't need a crystal ball to see disaster looming on the horizon. The recovery has begun, and good economic times traditionally have meant hard times for military recruiters. The recovery, moreover, is coinciding with a sharp decline in the number of youth of military age. The 18-year-old population will decline a full 20 percent - by 1.3 million - between fiscal years 1982 and 1987, and decline still further in the 1990s. If we

make no serious effort to recruit the college-bound, the Armed Forces will have to access nearly one out of every two 18-year-old males just to maintain present end strengths, much less to expand them as President Reagan plans.

Survey after survey has made it plain that education incentives are the only effective means of recruiting, voluntarily, the high-apititude young people the Armed Forces need most. Typical are the findings of the most recent comprehensive study conducted by the Army Research Institute (ARI) at Army reception centers throughout the country from May through August, 1982.

Overall, "money for college" ranked second of 11 reasons cited as the "most important" reason for enlisting, trailing only "to get trained in a skill," and ranking substantially above "I was unemployed," and to "earn more money."

Among recruits in the two highest mental categories, however, "money for college" was the most important reason for enlistment, cited by 36.3% of the recruits interviewed in July-August. This compared with 7.8 percent who said they joined the Army because they couldn't find a job anywhere else, and 3.3 percent who enlisted for higher pay. In other words, the lure of a college education was 10 times more attractive to these high quality recruits than military pay and bonuses were.

Although the Army believes the educational incentive programs it has at present are its most effective recruiting devices, senior Army commanders are convinced that a new G.I. Bill would be more effective. Gen. Maxwell Thurman, the Vice Chief of Staff and formerly the Army's top recruiter, has told Congress flatly that: "The Army must have an educational pull mechanism permanently authorized in law which is not subject to the vagaries of year

to year change...The education benefits about which we are speaking do two things at once. They are recruitment incentives for us, and they are rewards for service to the nation."

Manpower experts for the other services are equally blunt:

"I think the G.I. Bill is a must for the future," said Lt. Gen. C.G. Cooper, Deputy Chief of Staff for Manpower for the Marine Corps. "I have been in the recruiting business, and I can look down the pike and know that the talent market is going to become much smaller, competition is going to become much more intense with industry and other means looking for the quality of youngsters we want, and I think that a good education bill in the future will be of great assistance."

"There is no question about it: A new G.I. Bill will help recruitment, retention, and society, and I think it is especially important as we look down the road and see a recovering economy, a declining pool of eligible youth to service the country, and some programmed growth in the Air Force," said Maj. Gen. Kenneth Peek, Deputy Chief of Staff for Manpower and Personnel of the Air Force. "A new G.I. Bill would help us attract and retain the kinds of people that we need in the increasingly complex and high technology Air Force that we have today."

The G.I. Bill, moreover, has inherent cost advantages over the less effective mixture of across-the-board raises and bonuses on which the All Volunteer Force presently relies.

The first of these advantages is cost deferral. Pay raises and bonuses have to be paid out up front. But at least two years would elapse from the date of enactment before there would be any cost for a new G.I. Bill, because potential beneficiaries would all be in the service earning their entitlement, and it would be six or seven years before the G.I. Bill reaches its stabilized annual cost, when four classes of G.I. Bill beneficiaries

would be in school at the same time. Cost deferral doesn't mean much in the long run, but it would sure help a lot in the short run, as we struggle to get our economic house in order.

A more important advantage is surety of performance. Bonuses are paid out up front. But many who accept bonuses fail to complete their term of obligated serve, and the taxpayer is left holding the bag. With the G.I. Bill, no money is paid out unless and until the servicemember has completed his or her part of the bargain.

The G.I. Bill also provides what might be called a taxpayer bonus. Not all servicemembers who earn an entitlement use any portion of it, and many servicemembers who do use their G.I. Bill only use a portion of their entitlement. For the post-Korean G.I. Bill, for instance, only two-thirds of those eligible used any portion of their entitlement, and of those who used some portion of their benefit, the average use was only 30 percent.

The G.I. Bill also is uniquely capable of generating countervailing savings in the Department of Defense. High aptitutde recruits cost less to train and require less, and less frequent, retraining, and are less likely to become disciplinary problems with their associated costs. A rapidly rising portion of the Manpower Account goes for the provison of benefits to the wives and children of junior enlisted personnel. College-eligible high school graduates are less likely to be married when they enter the service, and less likely to get married during their initial enlistment, thus reducing outlays for dependent benefits. A new G.I. Bill would make recruiting easier, and thus make recruiting costs lower than they otherwise would have to be. Many existing DoD in-service education programs and officer procurement programs could be restructured around the G.I. Bill, generating additional savings.

The largest area in which countervailing savings are likely to occur, however, is in the area of attrition. The GAO estimated in 1980 that each servicemember who attrites costs taxpayers $12,000. High school graduates attrite at less than half the rate of non-graduates, and college-eligible high school graduates attrite at a still lower rate. The maximum basic benefit in S.1747 is $10,800. Thus, each time we replaced a potential attrite with a G.I. Bill-motivated volunteer, we'd be saving the taxpayer money. Dr. Charles Moskos, the distinguished military sociologist, has estimated that the sum of these countervailing savings could exceed $500 million annually.

But the G.I. Bill should not be viewed solely as a military recruitment measure. The G.I. Bill is an investment in America's future, one from which everyone benefits - the beneficiaries who will obtain a college education, the colleges and universities they attend, our society as a whole. In the 1965 hearings conducted on the proposed enactment of the Cold War G.I. Bill, Sen. Ralph Yarborough (D.Tex), Chairman of the Senate Subcommittee on Veterans Affairs, credited the Internal Revenue Service with an analysis of the World War II and Korean G.I. Bills stating that the government was "accruing a profit of over $1 billion a year." Statistics maintained by the Census Bureau indicate a very high correlation between lifetime income and education level. Using 1972 census data as the baseline, the Census Bureau estimated a typical high school graduate's lifetime income at $416,000, while a typical college graduate's income soars to $609,000. If the college graduate paid taxes in the low percent bracket, he/she would pay $38,600 more in taxes than a high school graduate during his/her lifetime, or about three times the cost of a G.I. Bill.

It isn't only our Armed Forces, but our entire society, that requires a higher level of education and skill if we are to compete successfully with Japan, Western Europe, and the emerging nations of the Pacific Rim in the years ahead. Virtually any college professor can confirm that veterans make better, more serious students than youngsters who attend college straight from high school. In all likelihood, the greatest contribution that the G.I. Bill-motivated volunteer will make to the security and prosperity of our country will come after he or she has completed military service.

A new G.I. Bill also would benefit the Armed Forces and American society in ways that cannot be measured by recruit numbers, dollars, or test scores. The G.I. Bill would draw the Armed Forces more tightly together with the society they defend. The lessons of history, from the Roman republic to the present day, make it clear that the concept of democracy, and the concept of the citizen soldier are inextricably intertwined. A democracy can survive only so long as its citizens understand that it is their responsibility to serve in the Armed Forces that defend the nation, and that the members of the Armed Forces feel they are part of the mainstream of the society they are defending.

34-268 0 - 85 - 7

SUMMARY OF S. 1747

I. Peacetime Veterans' Educational Assistance Program

Basic eligibility: Eligibility for the basic educational assistance program would be earned by fulfillment of a contract to perform military service after the effective date – October 1, 1987 (or an earlier date if determined by the President). Generally, the minimum contract would be 3 years of active-duty service, or 2 years of active-duty service followed by 4 years of service in the reserves. Additionally, 6 years of service in the Selected Reserve (or any combination of four years in the Selected Reserve and two years active duty) would also establish eligibility.

Honorable discharges would be required as a condition of eligibility (except in the case of a veteran with a general discharge who has competed his or her enlistment or other period of obligated service and receives a favorable adjudication from the Veterans' Administration).

Eligibility would also be contingent upon receipt of a high school diploma (or equivalency) prior to the completion of active-duty service.

Officers who have graduated from one of the service academies or completed a Reserve Officers' Training Corps program would not be eligible for the new program.

Benefits: Up to 36 months of educational assistance benefits at $300 a month could be earned under the new program. One month of active-duty service or three months of Selected Reserve service would earn one months of benefits. Payment of benefits to an eligible individual could begin after 24 months of service on active duty or in the Selected Reserve.

Supplemental Benefits: A second, discretionary tier of benefits – $300 per month – could be added to the basic benefits program where necessary to overcome particular recruitment and retention problems in such areas as the combat arms and scarce skills. These supplemental educational assistance benefits would be available to those who have established eligibility for the basic program by completing three years of active-duty service and who subsequently complete an additional three years in a personnel category specified by the Service Secretary concerned in accordance with regulations of the Secretary of Defense. Those who qualify would double the basic program benefit level – becoming eligible for 36 months of educational assistance at $600 per month.

Kickers: The Service Secretaries would also have the authority, consistent with regulations prescribed by the Secretary of Defense, to enrich either the basic benefits (without requiring additional active-duty service) or the supplemental benefits. These kickers, up to $300 in additional benefits per month, would also be predicated on the needs of the various service branches to recruit and retain personnel in specified categories.

Administration: The program of educational assistance, which would be established under a new chapter 29 of title 38, would be administered by the VA in a manner generally consistent with the Vietnam-era, chapter 34 G.I. Bill. Individuals would generally have 10 years in which to use their benefits after leaving the service.

Funding: The Department of Defense (and the Department of Transportation for the Coast Guard) would be required to transfer to the VA funds to cover benefit payments and costs associated with administering the new program.

Effective Date: The new program would become effective on October 1, 1987. However, the President could, upon giving 90-days notice to the Congress, provide for the program to become effective if the President determines that an earlier date would be in the national interest.

II. Career Members' Contributory Educational Assistance Program

Eligibility: Enlisted personnel with ten years of active-duty service would be eligible to participate in this new contributory program.

Contributions and Matching: Eligible individuals would be able to make contributions to a fund through deductions from military pay up to a maximum of $5,000. Each $1 contributed by the service member would be matched on a 2-for-1 basis. In addition, the Service Secretaries would be authorized, based on recruitment and retention needs and with the Secretary of Defense's approval, to add supplemental contributions to an individual's fund.

Transferability: A service member would have the option of using the benefits for his or her own education or of transferring them to a spouse or child. Benefits would be paid based on the monthly amount of contributions and the number of months in which they were made.

Administration and Funding: This program would be established under a new chapter 30 of title 38. Like the chapter 29 program described above, the new program would be administered by the VA in a manner similar to that in which the current G.I. Bill is administered. The Department of Defense (and the Department of Transportation for the Coast Guard) would transfer to the VA funds to cover the costs of benefit payments and administrative expenses.

Effective Date: October 1, 1987. However, an earlier date could be established as described under I, above.

III. Educational Leave

The proposed amendment would add to title 10, United States Code, a new program under which individuals who establish eligibility for the new chapter 29 program would be eligible to apply for a period of up to two years of educational leave. For each month of two months of service would be required to be completed following return to active duty.

IV. Repeal of 1989 Termination Date

Under the provisions of chapter 34 of title 38, United States Code – the so-called "Vietnam-Era G.I. Bill" – no educational assistance may be paid after December 31, 1989. This means that eligible individuals (those who entered the service before January 1, 1977), still on active duty on December 31, 1989, will lose all of the G.I. Bill benefits to which they are entitled. The proposed amendment would repeal the 1989 termination date. It would further require that the Department of Defense (and the Department of Health and Human Services for the Public Health Service and the Department of Transportation for the Coast Guard) bear all benefit-payment and administrative-expense costs after that date.

Chairman SIMPSON. Yes; now, please, Dr. Larry Korb, Assistant Secretary of Defense, Manpower, Reserve Affairs and Logistics, Department of Defense. And it's always nice to have you here with us, Larry, and thank you for your patience, and look forward to having your views.

TESTIMONY OF DR. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE, MANPOWER, RESERVE AFFAIRS AND LOGISTICS, DEPARTMENT OF DEFENSE

Dr. KORB. As always, it's a pleasure to be here to testify on this very important subject.

The position that I take here normally is not a popular one. It's very difficult to argue against education, and a GI bill, given its past history. But let me make a few points.

I have a prepared statement, which I'd like to submit for the record. I have a few points I'd like to make. And I'd also like to respond to some of the points that have been made here by the two distinguished Senators.

First of all, it's important to keep in mind that in the past the GI bill served as readjustment assistance for those who had their civilian lives interrupted by involuntary military service.

Today, the force is composed entirely of volunteers, and the primary rationale for an educational benefit program, or any program, has got to be force manning.

As has been mentioned, recruiting and retention have been very good, and continue to be good. I won't go into all the statistics, but let me make a couple of points.

There's been a great deal of attention focused on the statement of General Wickam that we've had 22 percent fewer people come down to the recruiting stations. Let me tell you exactly what the facts are on that particular statement.

Last year in the first quarter of fiscal year 1983 the Army had 107 percent of their objective; that is, they exceeded their goal for new contracts. This year they have about 100 percent. So in both years they've met their objective, which is really what we're talking about.

Remember that recruiting goals change quite a bit. Senator Matsunaga talked about the fact that the Military Manpower Task Force, of which I was the Executive Director, said the Army might have some trouble in 1985, but that was a different Army. That was an Army that was going to grow by 200,000 people over this decade. This Army is basically remaining at a constant size.

And in any case, to take a look at one quarter statistics and apply it to another, especially when 1983 was the best year we've ever had, can be misleading if one doesn't understand the context.

The fact of the matter is that last year they had 107 percent. This year they have 100 percent. So we're meeting our objectives.

The other thing is that when looking at future trends we look at a youth attitude tracking survey which we do yearly. And the results of this just came to me this last weekend.

And what they found is the propensity of people, youngsters toward military service is up. It is not going down. And, in fact, the

Army, which has moved into the number two place in the propensity, shows the largest increase among all of the services.

So, if one's looking at indicators, I think one has to balance that with the fact of fewer people showing up at the recruiting stations.

If, in fact, we did have trouble in recruiting, and it would be primarily the Army which historically has had the problem, the answer is not an across the board GI bill, because an across the board GI bill would not help the Army. It would spend more money and leave the Army in relatively the same position.

We do have a GI bill now. It's called the Army College Fund, which enables the Army to offer money over and above VEAP in 67 skills. This is working well. It's getting the high quality people into the Army, particularly the combat skills. And it has not hurt the other services.

I'd also like to point out from the Senator's statement the fact that somehow or other all the military manpower chiefs are for this program.

The fact of the matter is when I came into this job we asked them what kind of a GI bill they would want, and each service had their own version completely different because they were dealing with different problems. And except for the Army none of them offered to pay for it.

Now, there are no free lunches. If this bill could do all of the things that are claimed for it, it would seem that the services, in a budget that's over $300 billion, could find the steady State cost of about a billion dollars. And I have left that offer open to the Services. When, in fact, they feel that they need it they can come to me. But there are no free lunches. They've got to show me where the savings are going to be.

Now, VEAP is a much maligned program. Obviously the Veterans' Education Assistance Program is not as attractive as a GI bill. It was not meant to be. But the cumulative participation rates in it have gone up every year, and are now about 28 percent.

They would be higher, except for the Air Force figure which is lower, because the Air Force discourages their people from getting involved in it in the first year.

But as you take a look at the cost, the cost of the VEAP program right now is about $60 million. Steady State costs, when it gets to maximum participation, including the Army College Fund, will go to about $200 million. This is one-fifth the cost of GI bills that we're discussing here today.

In fact, if you take our VEAP program, we have the Army's College Fund, you take all of our selective reenlistment bonuses, all of our enlistment bonuses, those figures are less than the steady State cost of the GI bill.

So what we're saying is we have a program. It is working well. We don't know about the future, but at the time we begin to have problems, or as soon as we're convinced of problems, then we will have to take a look at what would be the best—the best particular device to deal with that situation.

In conclusion, let me say one thing. What we do need now, for those who are concerned about equity education, is the extension of the limiting date on the GI bill for people in the service.

That bill runs out in 1989. A lot of people who came in in 1975, 1976, or before will not be out of the service. It's unfair to them because they did enlist when that was an incentive for enlistment, and before there was a delimiting date.

And I have heard many times this provision is being held hostage to this Department's supporting the full GI bill. Nothing could be more unfair to the men and women already in the service who have earned that benefit than to hold them hostage to our changing our mind.

Thank you very much.

Chairman SIMPSON. Thank you very much.

Let me ask you, assuming that these recruitment and retention shortfalls do arise in the next several years, would you believe that it is likely that they will do so in a period so accelerated that Congress would be prevented from taking the proper remedial action at the time?

Dr. KORB. No, sir, I do not, because remember we enter each year with what we call a DEP, a delayed entry pool, people we cannot take in immediately because of numbers.

We entered this year with basically half of the people we needed for fiscal 1984. So if we begin to have trouble now we still have the delayed entry pool to draw upon.

Since you raised the question I think it's important to keep in mind Senator Armstrong was talking about the fact that we won't be able to man our ships. And that may be true. The reason is that in the last 2 years we've come up for active duty increases, and we haven't gotten them. And that's something that nobody's taking a look at.

The people are out there, but the Congress has not given us permission to go get them. In fact, basically for the last couple of years the number of our active duty entrants has been frozen.

Chairman SIMPSON. Well, Senator Armstrong commented, and I have previously, that if we set a date as to when this would take effect I think that has a rather devastating effect on present volunteers to the force.

Dr. KORB. I would think so. I would think so. That if people knew that if you wait until 1987 you can get this extra benefit which can go up to about $50,000 under the S. 1747, they might be induced not to come in now. This will be especially true if the Army College Fund is canceled in the interim.

Chairman SIMPSON. Well, he recognizes that as a problem, and so do I, but I think that maybe we can—we must keep that clearly in mind. That is certainly going to be there.

But let me ask you this. The Center for Naval Analysis in a report entitled "Enlisted Supply, Past, Present, and Future," tells us that if military pay and benefits keep pace with the private sector, despite population declines, that the services should be able to achieve their enlistment goals throughout the 1980's.

Have you reviewed that report, and do you agree with those findings?

Dr. KORB. Yes, we do agree with them. The Center for Naval Analysis has also pointed out that the GI bill adversely affects retention. They compared the groups that came into the Navy when

the GI bill was in effect, with the ones who came in after. And it showed that retention was lower among the former group.

Chairman SIMPSON. And that you think that military pay and benefits will remain comparable in the private sector?

Dr. KORB. This year you know that this administration has proposed a 5.5 percent pay increase for military people, which is over and above what we estimate the employment cost index to be, which will be a little bit of a catchup raise, because for the last 2 years we didn't quite match the growth in the employment cost index.

Chairman SIMPSON. These other recruitment and retention incentives, such as bonuses, and other resources that are available, in order to address possible shortfalls, not thinking of congressional action, and how swiftly and effectively—and it's not repetitive of the first question—but how swiftly and effectively do you believe the manpower and personnel system could be able to respond?

Dr. KORB. Again, we not only have the annual budget; we have supplements, plus we have some discretionary authority from Congress as to where we can pay the bonuses. So I think we can respond.

And, again, since you raised that subject, one of the things that has hurt us is the fact that we can no longer pay the reenlistment bonus in a lump sum. That reduces the attractiveness of that particular feature. And it's not an enlistment bonus. This is reenlistment; people who have already been in the service for 4 years, and the idea that they're not going to stay doesn't seem to be very logical. But that has had an impact on our reenlistment.

Chairman SIMPSON. Let me ask you another question. Then Senator Matsunaga may have a few minutes too.

Do you mean that there's enough evidence available to conclude that these broad across-the-board educational assistance programs are not cost effective as being recruitment and retention incentives, and that they should not be supported if they're only a substitute for other methods of obtaining a proper manpower for us.

Dr. KORB. Yes, I do.

Chairman SIMPSON. For reasons you have previously stated, and others, hey.

Senator Matsunaga.

Senator MATSUNAGA. Thank you, Mr. Chairman and Dr. Korb. I wish that you were on our side being the persuasive individual that you are. Unfortunately, I think you are here as our adversary. But I do hope that in time you will see the light, and support us.

Chairman SIMPSON. He worked me over on the peace academy pretty well.

Senator MATSUNAGA. And this is what we're trying to do, to provide the proper education which will enlighten people. Enlighten people to the extent that advocates such as yourself might take into consideration the fact that in estimating your cost here, I feel that you have failed to include the benefits that past GI bills have accrued to the Nation—not only in terms of a better quality of life for those who took advantage of their GI bill, such as myself, but in terms of the investment that the old GI bill proved to be.

I believe it was the Veterans' Administration which testified to the fact that after 15 years upon graduation from college, or what-

ever courses the GI had taken under the GI bill, that they had, in fact, on the average, paid back 15 times what the Government had spent on them in order to give them the education.

Well, as in my case, I would never have been able to go to Harvard Law School had it not been for the fact that the Government made the investment in me. And I would never today be a lawyer by profession, and a public servant as a U.S. Senator had it not been for the GI bill.

And, of course, you may argue that it's doubtful perhaps that the Nation benefited from my—— [Laughter.]

But I think that's a thing that needs to be considered.

Have you taken into consideration the investment aspect of the GI bill?

Dr. KORB. Senator, I am by profession an educator, so, obviously, I am aware of what you're talking about.

I also served in Vietnam and got to use part of my GI bill to go to graduate school. So I think I'm acquainted with it. However, the circumstances are completely different. World War II, Korea, Vietnam, forced large numbers of people into the service. We didn't pay them a competitive wage. Not even close. We had the hidden tax of conscription during that particular period of time. Right now we are paying a fair and competitive wage. The people are volunteers.

We also have another circumstance that I think is very, very critical. After World War II, or prior to World War II, and then obviously after, we didn't have enough people in this country going to college and universities. We had a comparatively small percentage.

Now we have the largest percentage of people in the world who go to college. And I wonder sometimes, as an educator, whether many of them should have been there. So I think this is another factor we have to consider. You cannot compare the World War II experience to now. Circumstances are different.

It's also important to keep in mind that 900,000 of the people in the service right now go to school under some form of tuition assistance that we provide. We provide 75 percent of cost.

So what you're saying is we are taking people in, and we are helping them go to school while they're in the service. We offer a program now for the young man, or the young woman, who wants to use the service to put aside something for college; the Veterans' Educational Assistance Program that will enable them to put some money aside to go.

After World War II, after Korea and Vietnam, we wanted people to get out of the service. That's not the case right now.

I would say that if we went into a situation similar to those periods we're talking about where we had a large force expansion where we compelled people to come into the service, then, yes, we would owe them some form of help to readjust to civilian life. But that's not the situation that we have now.

And, yes, we have taken all of these things into consideration. And, you know costs are not something that can be ignored. My responsibility to the Congress, and to the taxpayers, is to use the money that the people give us wisely.

And right now, in terms of manning the Armed Forces, that money would not be well spent. As I say, when the services were

given a choice of offering up something, particularly other bonuses and things in the manpower area, they found them to be less cost effective, except the Army. I think that's the key thing.

Right now we have an education package that is very generous. Something like $18,000 from the Government, and $2,000 from the individual. We are getting high quality people into the combat arms in the Army. And that's where the need is.

The quality of people going into the other services is higher than it's ever been.

The first quarter of fiscal year 1984 the Marines took in one-half of 1 percent of category IV's. There are 24 percent of those in the population. So the quality is very, very high now.

So I think one cannot make comparisons between 30 years, 40 years ago, and this particular period.

However, if, in fact, we found ourselves in a situation where that were the only thing, or the most cost-effective thing to deal with the situation, I would be the first one to come up here and tell you that.

Right now I think not only would it be costly, but an across-the-board GI bill would actually hurt the Army which has the most difficult problem in recruiting.

Senator MATSUNAGA. If high quality recruitment is the objective, and as I understand it, high quality recruitment is absolutely necessary because of the high technology involved in our armed services today, as compared to the past, then hasn't past experience shown that it was due to the bad economy, the high rate of unemployment, that we have been able to attract high school graduates.

There is also the projection that about the latter part of this decade we will once again enjoy a good economy, a sound economy, at which time we will be competing, as I said in my opening statement, with the private sector, as well as with the college.

And do you not feel then that additional incentives of this GI bill will be necessary to recruit and retain a high quality personnel?

Dr. KORB. Again, let me make a couple of points. There's no doubt about the fact that the economic situation has helped us in recruiting. But you've got to remember that in fiscal year 1980 the Army had its worst recruiting year. That was the year, roughly, they had just a little over 50 percent high school graduates; they also had almost 50 percent category IV's.

In 1980, unemployment among 17-to-21-year-old males was already high. It was almost 16 percent. Now it's up about 20 percent. I don't think that a 4-percentage point increase alone is enough to explain the dramatic turnaround.

I think what you have now, and what you didn't have in the past decade, is what President Reagan called the spirit of patriotism, or the act that it's an honor to wear the uniform of the country again.

If you lose that, I don't care what incentives you have, you're not going to get and keep good people.

Now, if we should experience problems toward the end of the decade, my feeling is in recruiting they will primarily be in the Army. The other services traditionally had a retention problem, not a recruiting problem.

The thing to do then is to give the Army the incentives and a package, which is what we've done. We could expand the college fund to allow it to go to more military occupational specialities.

There are things we can do in terms of the amount of bonuses that we give, and special incentive pays.

For example, as part of the quadrennial review of military compensation this year, we went through all the special and incentive pays and found out that a lot of them had not been adjusted for decades. Those are things that we need.

A GI bill in my view, would hurt. And all the analysis shows that it would exacerbate any retention problems that we might have. And so what you might find yourself in is the paradoxical position of maybe bringing in some higher quality people, but driving out more. That's something we also have to take a look at.

Because, again, remember that after World War II, and Korea, and Vietnam, we wanted people to get out. We don't want them to get out now. We want them to stay in.

Chairman SIMPSON. Senator Matsunaga, may I—I tried to give us both equal time there, and I've extended that. I have a problem. At about 11:30 I must meet another commitment, and you, I know, have indicated a willingness to remain, and I appreciate that deeply.

I wonder if it would be possible to go on to the next witness. I'd like to do that and have you submit any further questions in writing. Would that be appropriate for you?

Senator MATSUNAGA. Yes, fine, Mr. Chairman. I'll do that.

Chairman SIMPSON. Thank you.

Or else perhaps visit with Dr. Korb when you take over the proceeding. You may do anything you wish—within reason, of course. [Laughter.]

And, so, in any event I appreciate your forebearance, if we go forward. Thank you very much, Dr. Korb.

Dr. KORB. Mr. Chairman. Thank you, Senator.

[The prepared statement of Dr. Lawrence J. Korb, Assistant Secretary of Defense, Manpower, Reserve Affairs and Logistics, and the Department of Defense's response to a written question submitted by Hon. Spark M. Matsunaga, a U.S. Senator from the State of Hawaii, follow:]

PREPARED STATEMENT OF DR. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE, MANPOWER, RESERVE AFFAIRS AND LOGISTICS, DEPARTMENT OF DEFENSE

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you to discuss educational benefits for military personnel. I appreciate the concern you and the members of your staff have shown for the welfare of service members.

The Veteran's Educational Assistance Program (VEAP) replaced the Vietnam era G.I. Bill for recruits who entered military service after December 31, 1976. There is no question that the basic benefits offered by VEAP were not as attractive to new recruits as the more lucrative benefits offered by the old G.I. Bill. However, the primary purpose of the old G.I. Bill was to serve as readjustment assistance to those who had had civilian careers interrupted by involuntary service or service during war time. Under a peacetime all volunteer force those who serve do so voluntarily, so that this compelling rationale for a large, post service readjustment assistance program disappeared with the termination of the draft in 1973.

Today, our major consideration in evaluating educational benefits is force manning. Educational benefit programs are evaluated primarily based upon our personnel needs, and how well an educational benefit program is able to meet those needs compared to other recruiting and retention tools. By this criterion, our current program of basic VEAP benefits, offered by all the Services, coupled with supplementary benefits targeted to high quality recruits serving in certain hard-to-fill skills in the Army, is working quite well.

Recruiting and retention continued to be very good in fiscal year 1983. Ninety-one percent of all non-prior service accessions were high

school graduates in fiscal year 1983. This was the highest proportion in history and compares favorably to the eighty-six percent achieved in fiscal year 1982 and to the proportion of high school graduates in the youth population, estimated to be seventy-four percent. In the Army, traditionally the Service with the most difficult recruiting problems, eighty-eight percent of new recruits were high school graduates, which was also a record proportion.

Moreover, about ninety-two percent of recruits scored in the top three categories on the Armed Forces Qualification Test in fiscal year 1983, and forty-one percent scored in the top two categories. It is estimated that about sixty-nine percent of the youth population as a whole would score in the top three categories, and thirty seven percent would score in the top two categories. The top two or three test categories include most of the college bound youth population. The proportion of Army recruits scoring in the top three categories was eighty-eight percent.

The aggregate reenlistment rate in fiscal year 1983 was 68%, about the same as the previous year's record level. The Navy and Air Force enjoyed record high reenlistment rates of sixty-eight percent and seventy-nine percent, respectively. Army's first term reenlistment rate was lower than the previous year's record level, but this was, for the most part, a reflection of efforts to increase the quality of the career force.

These excellent results are continuing into fiscal year 1984. In the first quarter of this fiscal year, ninety-four percent of new recruits were high school graduates, and this same proportion of recruits scored in top three test categories. Retention, through November, also was about as good as it was in the same period in FY 1983.

We do expect that an improving economy and a declining youth population will begin to make recruiting and retaining very highly qualified people somewhat more difficult in the future. We believe that, with the support of Congress, we can adjust to changing market conditions as they occur.

Our current educational benefit program, the Veteran's Educational Assistance Program (VEAP), provides recruits who value additional formal education with a valuable opportunity. In VEAP, the government contributes $2 for each $1 contributed by the member, up to a maximum government contribution of $5,400. Participation in the program continued to increase in 1982, the latest year for which data is available, to a cumulative rate of 27.7%. Participation in the program has increased every year since its inception. This has occurred even though current particpation rates are likely to understate ultimate participation now that contributions may be made as a lump sum at the completion of an enlistment.

We do not believe that the basic VEAP benefits have a large effect on our ability to recruit. At the same time, the VEAP benefits offered across-the-board to all recruits are not so large that a retention problem is likely to emerge as first term personnel, who would have otherwise remained in military service, are induced to leave in order to use the benefits. This is particularly important in those skills, such as the highly technical skills, where training is long and costly, and experience is important.

However, the VEAP program, when supplemented with targeted benefits, provides the flexibility to alleviate specific manning problems efficiently without incurring the costs and retention risks of a large across-the

board program. The "Army College Fund" offers educational benefits in addition to those provided by the basic VEAP program to high school diploma graduate recruits scoring in test categories 1 through 3a on the Armed Forces Qualification Test who agree to enlist in certain hard-to-fill skills. Additional benefits of $8,000 for a two year enlistment and $12,000 for a three or four year enlistment are offered to qualifying recruits in selected skills. In fiscal year 1983, the supplementary benefits or "kickers" were offered in about 59 Army skills. In fiscal year 1984 "kickers" will be offered to highly qualified recruits in about 67 skills, representing about 60 to 65% of all the Army's high school graduate recruits scoring in the upper half of the qualification test. These supplementary benefits appear to have succeeded in attracting additional high quality recruits to the Army skills where these recruits are most needed most, without impinging on the recruiting efforts of the other Services, and at a modest cost to the taxpayer.

The VEAP program is relatively inexpensive. Outlays for basic VEAP in fiscal year 1984 are estimated to be about $41 million, with outlays rising in the steady-state to less than $100 million. This compares quite favorably to the steady-state costs of most new educational benefit proposals, and to the cost of the Vietnam era G.I. Bill, outlays for which were in excess of $5 billion in fiscal year 1976.

The cost of the supplementary benefits is estimated to be about $8 million in fiscal year 1984. These costs will eventually rise to about $90 million in the steady state. Hence, the basic VEAP program, supplemented with "kickers" targeted to skills where additional high quality recruits

are needed, is estimated to have a steady-state cost of less than $200 million, compared to steady-state costs of most proposed new programs of around $1 billion.

The Administration continues to support a program of educational benefits, but it does not support any major changes to the current program at this time. This program is meeting our present needs effectively and efficiently. We monitor recruiting and retention results closely. Should force manning problems arise, we will examine all potential recruiting and retention tools, including alternative educational benefit programs, and request that mix of additional resources which, we believe, would best alleviate the specific manning problems that have arisen.

I would now like to comment briefly on the legislation before the Committee.

S.1747 provides an across-the-board basic benefit of $300 per month for up to thirty-six months to those who serve three years of active service, or two years of active service and four years in the Selected Reserves. This basic benefit is also provided to those who serve six years in the Selected Reserves. An additional benefit of $300 per month for thirty-six months may be offered for those who serve for an additional three years in certain skills designated by the Secretary of Defense. The Secretary may add up to another $300 per month on a discretionary basis.

The bill also provides for a contributory educational assistance program for career members who have more than ten years of service. The member may contribute up to $6000 to a fund, which is matched by a government contribution of $2 for $1 contributed by the member, for a total fund of $18,000. The member may then use the benefit himself, or transfer the benefits to a dependent. Benefits would be paid by funds appropriated to the Department of Defense.

S.1747 is, potentially, a very lucrative bill. The individual member can, under some circumstances, accumulate educational benefits totalling $50,400 during a career. Such a bill would have a long-run annual cost in excess of $1 billion.

This bill can not be justified on the basis of current recruiting and retention conditions. Delaying implementation until 1987, as the bill provides, might appear to circumvent this difficulty. However, it would not seem prudent, in any case, to pass a potentially expensive bill now that provides a particular solution to recruiting and retention problems that have not yet manifested themselves. It would be preferable to structure efficient solutions to meet specific problems as they emerge.

S.1873 requires the President to report by July 1, 1987, concerning the need for a new educational benefit program for service members to assist in recruiting and retention. In particular, the report would describe recent recruiting and retention experience and make projections over the next five years; it would contain an analysis of the need for additional recruiting and retention incentives; and it would provide a comparison of the costs and benefits of alternative recruiting and retention tools, including educational benefits. The report would be submitted earlier if the President determines that a new educational assistance program is needed sooner. The bill also provides for expeditious consideration of any proposed legislation accompanying the report.

The Department of Defense supports S.1873. Indeed, we would much prefer such a bill to an alternative that would constrain us now to a particular new educational benefit program, to be activated either now or in the future, in anticipation of an undetermined future manning problem.

Before closing, Mr. Chairman, I would like to mention that the Department supports the extension of the delimiting date on the use of G.I. Bill educational benefits by eligible members who are on active duty. If eligible active duty members were permitted to use their benefits for a period up to ten years after separating from active duty, it would avoid the cruel choice many career members now face between separating early to use their benefits, or forfeiting them.

Thank you, again, Mr. Chairman, for the opportunity to discuss this important subject.

RESPONSE OF THE DEPARTMENT OF DEFENSE TO A WRITTEN QUESTION SUBMITTED BY HON. SPARK M. MATSUNAGA, A U.S. SENATOR FROM THE STATE OF HAWAII

Question. You state that a G.I. Bill would exacerbate any retention problem we may have. Does this statement apply specifically to S. 1747? If so, please discuss the basis for the conclusion.

Answer. Yes. Analysis suggests that an across-the-board educational benefit of about $300/mo for 36 months will reduce first term reenlistment rates by between 10% and 20%, and that the reduction will be relatively greater in the more technical skills. This reduction in the ability to retain skilled technicians will both reduce the overall experience level, and therefore performance, of the enlisted force and put added pressure on the recruiting market to replace these losses during a period in which the youth population is declining. To put the potential impact in yet another perspective, it would require significant increases in first term reenlistment bonuses to completely offset the negative effect on first term retention.

This estimate follows from the following considerations:

a. Common sense tells us that those who enlist in order to receive educational benefits are likely to leave at the first opportunity in order to go to college. Others, who did not necessarily enlist because of college aspirations, will be induced to leave when the lucrative benefits are offered.

b. The Center for Naval Analyses has preliminary estimates of the effect of the Vietnam-era G.I. Bill on the first term reenlistment rates in the Navy. After controlling for other factors affecting first term reenlistment, it was found that the reenlistment rate of first term personnel who were eligible for the Vietnam-era G.I. Bill was about 20% to 25% less than those who were not eligible. Independent analysis of FY 1980 first term reenlistment rates in the Army and Navy, comparing those who were eligible for the G.I. Bill to those who were not, is consistent with the CNA results, and also suggests that the reenlistment rates of eligible high school graduates scoring in the higher categories of the AFQT declined by more than other categories of people.

A 'second tier' of benefits, a feature in some G.I. Bill proposals such as S. 1747, is offered as a means of reducing the negative retention effects of the basic benefits. A typical formulation is to require, say, three years of active service for the basic benefit, but double the benefits to which a member is entitled if he were to serve six years.

It is likely that such a provision will reduce the losses of those who would leave at the first opportunity to use the basic benefits. However, these people who are induced to stay will almost surely leave as soon as possible after they became eligible for the second tier. Moreover, the second tier of benefits provides an even greater overall incentive to leave, once these benefits are earned. Therefore, one would expect that while losses at the first reenlistment point may be reduced, losses at the point where members become eligible for the second tier will increase significantly, and total losses will be greater than if there were no second tier benefit.

Hence, while a second tier can mitigate the adverse retention effects of a new G.I. Bill in the short run, in the long run it is likely to exacerbate the negative retention effects.

The ability to transfer educational benefits to dependents should have some positive effect on retention; it is not likely to have a significant effect. The reason is that the typical enlisted member at the crucial first and second term reenlistment decision points is still about 15 years away from having college age children. Benefits to be used only fifteen or more years in the future will be discounted highly at the first term reenlistment point. Further, those who were motivated to enlist to obtain funds for college are unlikely to be dissuaded from using them by such an offer.

This does not mean that no one will use transferability benefits. Quite the contrary, it will be a very popular feature (and a costly one) for those in the relevant experience range. However, it is likely that it will be used largely by those who would have remained in service anyway. The way in which most transferability provisions are structured makes them equivalent to another incentive to remain for 20 years. Given the current retirement system, such an incentive is redundant.

Chairman SIMPSON. And now Gen. Maxwell Thurman, please, Vice Chief of Staff, U.S. Army, Washington.

Senator MATSUNAGA. Good to have you with us.

General THURMAN. Thank you, sir. I appreciate the opportunity to come before the committee and I have a prepared statement which I hope that you would see fit to put into the record. But, if I might, I have a couple of charts. I am known for charts, so if you would let me take my 5 minutes of preamble, I will run through a few charts.

Senator MATSUNAGA. Your statement will be accepted in the record without objection.

TESTIMONY OF GEN. MAXWELL R. THURMAN, VICE CHIEF OF STAFF, U.S. ARMY

General THURMAN. I won't go through all of these, but if I could ask you to turn down to chart No. 1, sir, simply to point out the track record since, 1974. I classify us as having been through four volunteer armed services periods of time. You can see the perturbations in 1978 and 1979 with the strength of the Army dropping to 758.9 and the Guard down to 340 and the Reserves down to 185. Down at the bottom left of the chart you will see a little circle. There are four principle elements that can contribute to moving the market here in the volunteer system. Pay comparability, that we all know is essential for our noncommissioned officer corps; unemployment which we cannot control very well; education benefits which is the subject of this conversation and recruiting resources.

Now, let me ask you to go to chart No. 2. This tracks what has happened since the last year of the GI bill in 1976, where we had 105,000 high school diploma graduates. If you will notice at the letter A, in 1979, we did not make our mission. And incidentally

none of the Armed Forces made their missions in recruitment in 1979. That is only 5 years ago. I would like to suggest to you, that it is a very fragile operation that we are working on but we think that we understand it better now that we did. In 1980, then, where B is located, you will note as Dr. Korb mentioned, we accessed about 54 percent high school grads. And if you turn to chart No. 3, sir, you notice that the upper half accessions, whether it is the upper half on ACT scores or SAT scores, in our case the Armed Services Vocational Aptitude Battery Test Scores, fell dramatically at the end of the GI bill.

Then the Congress in consort with DOD, gave us the opportunity to put out an educational test program which we then codified as the Army College Fund in 1982. And we have come back up the ladder. So the point is that educational incentives do turn the recruiting market up. And if you go to chart No. 4, sir, for a moment, Dr. Korb mentioned the Youth Attitudinal Tracking Survey. He looked at those results over the weekend, but I have not been able to look at them. This chart shows survey data through 1982. The top left diagram of the chart simply states that there are about 27 percent of the youngsters having what we call a positive propensity to serve. The upper right corner diagram says that not everybody is qualified. The bottom left shows, as we all know, that demography has us in a shrinking market now to 1992. I am happy that Dr. Korb gave me second place in the YATS. The Army is in second place in the propensity of youth that is reflected at the bottom right hand side of the chart.

Now, go to chart No. 5, if I might just for a moment, and ask do you need quality? And the answer is yes.

You need quality operators, maintainers, and leaders and now I would ask you to turn to chart No. 7. On chart No. 7 there is a Stinger gunner. It is a shoulder fired air defense weapon. He is required to do all of those tasks that you see, from detection of the aircraft, to preparing the weapon, to identifying the target as friend or foe, and finally tracking, aiming and firing. If the target is flying at 450 knots, he has 18 seconds to do it, if he detects it at 3 kilometers. If he has red-hot eyeballs and he can see it out to 5 kilometers, then he has 34 seconds.

Now, let's go to chart No. 9, sir. We looked at the quality of people coming in and passing the skill qualifications test, later, like 19 months down range. We took a sample of 125,000 youngsters, last year and we found that, lo and behold, smart people do better than less smart people. On the left of the chart are the very top scoring youth and on the right are the lesser scoring youth. That is a notion of the kind of scores that they get out on performing duty in the field.

If you turn over one page, to No. 10, you will note that the effects of quality increases over the last several years, have a dramatic effect on AWOL, desertion, crimes against property and violent crimes. That is a happy story. Turn over one chart more. On chart No. 11, you will see that we have asked each of our schools and centers to give us a quality requirements list. You will note that the Infantry has a lesser requirement of smart kids, reflected by the fourth bar from the left than does the military intelligence, because in the military intelligence we need skills in language, lin-

guistics, as well as many others. When you aggregate all this data, you find that our requirements run around 67 percent for upper half category youngsters, with the balance from the lower half.

You can turn, then, to chart 14. We find that the market is segmented into two pieces. We find that there is an employment oriented set of the market that is most motivated by service and patriotism, employment and job security, skill training, and family benefits. Incidentally, even in recruits in that market, retirement is the No. 3 issue they identify when they join the service. This is new information that we garnered last year in our surveys.

You will notice that they do respond to up-front attractions, bonuses. There is also another college-oriented part of the market that we need to tap, which responds to educational benefits more than to bonuses.

Now, if I could just turn over one chart to No. 15. We are not alone in our belief. We asked the Rand Corp. to take a look at market behavior. If you look at the pool of people in the middle, high school diploma graduates, you will see about 44 percent are employment oriented, so says Rand Corp., at circle No. 1. That group, about 6.5 percent, entered the services, and they are primarily sensitive to bonuses.

No. 2 is a group of about 8 percent; they are sensitive to both pay and bonuses; and then group No. 3, on the right, is the college-bound group. They are attracted to the service in much smaller degree, 1.5 percent.

If you will, look at group 3. They are virtually insensitive to pay and bonuses, and sensitive to educational benefits. This is the Rand Corp. data of 1982. I call your attention to the little logo at the bottom left; we are looking at a shrinking market over time.

And so, the trick is, how do you expand the market? I would ask you to go to chart 16. That says, we have sampled 8,500 youngsters last year who enlisted in the Army—these are people that actually came into service. We found that where A is at the top of the chart, 24 percent of those youngsters, in mental category I and II—the top 37 percent of the American youth population—would not have enlisted except for college money. This is the Army College Fund at work. It is doing yeoman work for us, and has been described by Dr. Korb.

On the other hand, if you look at B, 33 percent of that same group has said that the most important reason why they came into the service is college money. That is according to an actual survey of people who have come into service.

And what is the Army College Fund? It is described on the next page, 17. The Veterans' Educational Assistance Program started in 1981. We are taking about 40-some thousand people into that program each year. It is going very well. There are 67 MOS', and the maximum benefits are shown at the lower right.

Now, I ask you to go to chart 19, which asks, "What about the First Quarter Fiscal Year 1984?" which has been alluded to in General Wickham's testimony, and addressed by Dr. Korb. Let me just say to you that in the first quarter, you have to look at two different areas. One is who actually came into service, on the one hand, and the other is the process to build contracts, which ultimately build your delayed entry program, your seed coin for the future.

And, so, in the first quarter, we were up 3,000 in accessions of high school graduates into the total Army—that is up 10 percent; that is good. In percentage of grads, we were up to 90 percent; that is up 4 percent from where we were this time last year.

Incidentally, the numbers we are taking this year are almost identical to the ones we were taking last year.

Mental category I to IIIA is upper half; we are up 4 percent. That is good. Those are actual accessions now. They came on to the active duty rosters October 1 to December 31.

But there are the warning clouds that we talked about, that General Wickham mentioned earlier on in his testimony before the House Armed Services Committee. Notice the economic changes—and I have tried to be fair, you see we got over the 20-year bracket, as well as the teenager bracket. Also shown are first quarter 1984 recruiting indicators. We are not talking about the tests administered in the high schools. Incidentally, when we go in the high schools, testing is not totally voluntary; only about 10 percent of the people that take it.

I just would say to you that the indicators are down, that the recruiting mission is up. Go to the last chart, No. 22. It simply says that the Army commitment to education is in all the categories shown. It is the thing that makes us successful in the marketplace. I just add one thing, this committee needs to make sure that if nothing other than what goes on currently takes place, we must have an extension of the 1989 termination date of the Vietnam era GI bill.

So, I am open to questions, sir.

Chairman SIMPSON. Thank you very much.

I really regret we don't have more time, and we will try to remedy that on the next such occasion.

Let me ask you this.

General THURMAN. Yes, sir.

Chairman SIMPSON. The Army in the past had the toughest difficulty——

General THURMAN. Yes, sir.

Chairman SIMPSON [continuing]. In achieving recruitment quotas, and yet over now, these past several years, the Army seems to have had some rather dramatic results. How has the Army managed to keep up, other than you have mentioned fully, and in somewhat detail, the Army College Fund or ultra VEAP, and there is a role of letter in the Army success.

Do the other services have programs, or lesser programs? Could you briefly tell us where we are on that?

General THURMAN. Well, in our case, all services have what we call the vanilla VEAP program, 2 for 1 matching of $25 to $100 soldier contributions a month. The Government will match 2 to 1 a soldier's maximum of 27 months times $100 per month contributions.

Now, in our case, we have long had the most difficulty. If you go and ask high school kids whether or not they prefer combat arms, you will find that it is No. 12 on their list of things. Being in the combat arms is not what they prefer.

So, we have used the Army College Fund on 67 critical skills paying additional "kickers." We have used bonuses on 55 critical

skills, and the combination of those tell you something about the push-pull that goes on in the service. We manage bonuses on a monthly basis.

The other services do not use the same number of entry bonuses that we do. They spend most of their selective incentive pays on reenlistment bonuses rather than on enlistment bonuses.

Chairman SIMPSON. You also state that enlistments in the Army College Fund have grown from 4,600 in fiscal year 1981 to over 44,000——

General THURMAN. Yes, sir.

Chairman SIMPSON [continuing]. In fiscal year 1983. Is that figure cumulative?

General THURMAN. No, sir. That is each year.

Chairman SIMPSON. Each year?

General THURMAN. Yes, sir.

Well, we started out with a test of the program in 18 percent of the country; and then we went nationwide after evaluating the test. We had all sorts of people helping us with the evaluation when we went nationwide.

It might be of some help to you to turn to chart 20, which would give you some notion about the 145,000 people that we brought in last year, and the incentives used. Bonuses do not affect everybody.

If you look at chart 20, we had 26,000 people who came in for the Army College Fund only. We had 94,000 people that got nothing except basic VEAP. They make the contribution and are matched 2 for 1, but receive no "kicker." You will see 18,200 came in for Army College Fund, plus bonuses, and 6,900 came in for bonus only.

So, what we have been able to do, by virtue of the authorities given to us by the Congress, is to put up drawing cards for both sides of those two markets that we described to you, the employment-oriented market, on the one hand; the college-bound market, on the other.

Chairman SIMPSON. What is that percentage of total Army recruits there?

General THURMAN. 44,000?

Chairman SIMPSON. Yes.

General THURMAN. 45 divided by 145 less 10; 45 divided by 135, whatever that turns up to be.

Chairman SIMPSON. Yes.

General THURMAN. 12,606 prior service in that 145 number, so it is about one-third of the people.

Chairman SIMPSON. Well, I very much regret having to leave. I have some further questions. I am going to submit those to you in writing.

General THURMAN. I would be happy to answer them to the best of my ability, sir.

Chairman SIMPSON. And one of the issues, too, as Senator Matsunaga said, so many of us, I think, at least, who went in the service, took advantage of the GI bill; I did. I should have spent a bit more time with books, at times.

And, so it is very important. But we never had it in peacetime. I deeply want to respond to the importance of it, but it is a whole new; it is a different concept, and we will try to sort it out, and I

really regret that I must leave, and I am going to turn the hearing over to Senator Matsunaga, who has graciously accepted willingness to do that; and I will try to get back, if the hearing is not concluded.

And I want to thank you very much. And I want to thank and greet Tony Principi, our new Chief Counsel and Staff Director of this Committee, who brings a good deal of skill and ability to the task, and this is kind of old ground for him, I think.

I am very pleased and proud to have him, as he replaces Tom Harvey, who served me so capably and very loyally; and I thank the members of the staff, Joe Buzhardt, for setting this up, who—he will go on to the Labor and Human Resources Committee, and we will miss his fine efforts. He has been very helpful to the majority and minority staffs.

I thank you, and, Senator Matsunaga, I shall leave the balance of the hearing process to you, sir, without a quiver.

Senator MATSUNAGA. Thank you, Mr. Chairman, and you can rest assured that I will not ask unanimous consent to strike out all adverse statements from the record. [Laughter.]

Chairman SIMPSON. I will be watching from wherever I am.

Senator MATSUNAGA [presiding.] General Thurman, I want to congratulate you for your presentation. As Confucius observed, "A picture is worth a thousand words."

And with your 22 charts here, you presented 22,000 words in less than 5 minutes. I want to congratulate you for it.

General THURMAN. Thank you, sir. I cut out a lot before I came over, sir.

Senator MATSUNAGA. We will make it a point to see that all Members of the Senate will get to see your charts.

General THURMAN. I would hope that they would be included in the record, if you see fit, sir.

Senator MATSUNAGA. It will be done. It will be so done.

All right, I realize that we are pressed for time; we have two other witnesses; but I would have at least liked to have asked you this question: If, as your chart shows, the high quality recruits are attracted—that is, those who are high school graduates and who have college objectives, are attracted to the services by educational benefits more than by cash bonuses, or the cash benefits; can we not conclude that in order to maintain high quality personnel in our services, we need to keep the GI bill alive?

General THURMAN. In my view, I am for the GI bill, and I have testified before several committees about that.

As Dr. Korb indicated to you before, when I was the Deputy Chief of Staff of Personnel of the Army, we said we would buy the GI bill. But you cannot buy alone because if we went out with the GI bill everybody has got to agree to it.

So, in my view, the only way to expand the market substantially is into the college-bound market, and you must be able to do so. The way to do that is through a GI bill, because in the end game, advertising. The words "Veterans' Education Assistance Program," while they are very useful, are not on the lips of everybody in America.

But the GI bill is well-known by the millions of people who served in it, and have taken advantage of it.

And I would also like to add one other point, and that is, we do not want everybody to come into the Army and stay in the Army. We think it is both helpful and healthy to have a turnover of people, which we obviously do because we are turning out 200,000-plus people a year who come in and go out of the service. That's a lot of people who go back—go to Main Street, U.S.A., go to college and ultimately become the captains of industry, or the Congresspersons of tomorrow. I think that is a good idea, not a bad idea.

Senator MATSUNAGA. I am glad to hear you say that because it has long been my conviction that, in order to remain strong, this Nation needs a strong Reserve, consisting of those who served for a while in the services, and who continue their service as members of the Reserve.

General THURMAN. Absolutely right, sir; and you will notice in my last couple of charts there; we talk about the educational benefits for the Reserve. They have been very useful to us. When a person does leave service, we expect him to stay in the Reserve, and he is required to do that for a certain period of time.

In fact, we just opened it up for another 2 years of service for the people who are even beyond their first enlistment. So, it does build a stronger Reserve, if you have an educational aggrandizement that works with the Reserve, both in the Selected as well as the Individual Ready Reserve.

Senator MATSUNAGA. Well, I thank you again, General Thurman. I will submit a few questions in writing, for the record, to which you may respond.

General THURMAN. We appreciate the opportunity to come before the committee.

Senator MATSUNAGA. Thank you very much.

[The prepared statement of Gen. Maxwell R. Thurman, Vice Chief of Staff, U.S. Army, the charts referred to earlier, and the U.S. Army's responses to written questions submitted by Hon. Alan K. Simpson and Hon. Spark M. Matsunaga follow:]

PREPARED STATEMENT OF GEN. MAXWELL R. THURMAN, VICE CHIEF OF STAFF, U.S. ARMY

MR. CHAIRMAN. I WOULD LIKE TO THANK THE MEMBERS OF THIS COMMITTEE FOR THE SUPPORT YOU HAVE GIVEN THE MEN AND WOMEN WHO SERVE IN THE ARMED FORCES OF THE UNITED STATES. I AM HAPPY TO HAVE THE OPPORTUNITY TO APPEAR BEFORE YOU ON THE IMPORTANT MATTER OF EDUCATION INCENTIVES.

EDUCATION HAS LONG BEEN A STRENGTH OF AMERICAN SOCIETY. OUR NATION'S LEADERS, ITS SCIENTISTS, ENGINEERS, AND TEACHERS, ITS FARMERS AND ITS CRAFTSMAN, AND YES ITS SOLDIERS ARE PRODUCTS OF OUR EDUCATIONAL SYSTEM. A GOOD EDUCATION HAS ALWAYS BEEN AN ASPIRATION OF AMERICA'S YOUTH AS THEY SOUGHT TO BE ALL THEY COULD BE. WE FIND THE SAME IS TRUE TODAY.

THE SOLDIERS OF TODAY'S ARMY ARE THE FINEST WE HAVE HAD IN DECADES. FIVE YEARS AGO, IN 1979 THE ARMY WAS UNDERSTRENGTH BY 17,000 SOLDIERS. IN 1980, 45% OF THE ARMY ENTRANTS WERE NON-HIGH SCHOOL GRADUATES. HOWEVER, IN 1983, WITH CONGRESSIONAL SUPPORT AND EXPANDED EDUCATIONAL BENEFITS, 88% OF THE ARMY'S NON PRIOR SERVICE ENLISTEES WERE HIGH SCHOOL GRADUATES AND OVER 81,000 YOUNG MEN AND WOMEN SCORED IN THE UPPER HALF ON THE ARMED FORCES QUALIFICATION TEST. THE INNATE CAPABILITIES THESE YOUNG MEN AND WOMEN OFFER IN SERVICE TO THEIR COUNTRY SYMBOLIZE THE MOVE TO EXCELLENCE ALL AMERICANS SEE IN THEIR ARMY. THESE YOUNG SOLDIERS BRING TO THE ARMY THE TALENTS AND ABILITIES NEEDED TO LEARN TO OPERATE THE OUTSTANDING EQUIPMENT NOW GOING INTO OUR FORCES. THEY ALSO POSSESS THE POTENTIAL TO BECOME SUPERIOR

FUTURE LEADERS IN OUR NON-COMMISSIONED OFFICER CORPS. IT IS ESSENTIAL THAT WE SUSTAIN THIS FLOW OF HIGH QUALITY SOLDIERS INTO THE ARMY.

OUR RESEARCH AND ECONOMIC ANALYSIS SUGGEST THAT THESE HIGHER SCORING SOLDIERS WHOM WE SEEK ARE MOTIVATED BY TWO PRINCIPAL FACTORS WHICH DIFFER BY THEIR CAREER ASPIRATIONS. WE FIND THAT ROUGHLY ONE HALF OF YOUNG AMERICANS ASPIRE FOR EDUCATION ABOVE THE HIGH SCHOOL LEVEL. THESE YOUTH ARE MOTIVATED BY EDUCATIONAL INCENTIVES. THE OTHER HALF ASPIRE TO ACHIEVE JOB SKILLS AND ENTER THE LABOR MARKET. THEY ARE MOTIVATED BY BONUSES AND JOB TRAINING. HIGHER SCORING YOUTH ARE REPRESENTED IN BOTH GROUPS, BUT ARE PRESENT IN MUCH LARGER NUMBERS IN THE FIRST GROUP. THUS, THE ARMY HAS DEVELOPED INCENTIVE PACKAGES TO ATTRACT BOTH TYPES OF SOLDIERS. I WILL ADDRESS ONLY THE FORMER SINCE THAT IS THE COMMITTEE'S FOCUS.

THE ARMY'S CURRENT EDUCATIONAL ASSISTANCE PROGRAM CONSISTS OF TWO PARTS. THE VETERAN'S EDUCATIONAL ASSISTANCE PROGRAM IS AVAILABLE TO ALL SOLDIERS AND OFFERS UP TO $8100 ON A CONTRIBUTORY BASIS ($2700 FROM THE SOLDIER, $5400 FROM THE GOVERNMENT) FOR A 3 YEAR ENLISTMENT. THE MOST EFFECTIVE PROGRAM IS THE ARMY COLLEGE FUND WHERE THE SOLDIER MAY OBTAIN UP TO $20,100 FOR ENLISTING IN ONE OF 67 MOS AND BEING A HIGH SCHOOL DIPLOMA GRADUATE, SCORING IN MC I-IIIA. IT TOO REQUIRES A $2700 CONTRIBUTION. WE HAVE SEEN A GROWTH OF ENLISTMENTS IN THE ARMY COLLEGE FUND FROM 4682 IN FY81 TO OVER 44,000 IN FY83. AS THIS

GROWTH OCCURED, WE SAW ITS REFLECTION IN OUR COMBAT ARMS WHERE THE CONTENT OF HIGH TEST SCORING SOLDIERS IN THE INFANTRY, ARMOR, AND FIELD ARTILLERY INCREASED FROM 23 PERCENT IN FY81 TO 63 PERCENT IN FY83. SOLDIERS WERE ENLISTING IN THE ARMY'S MOST ARDUOUS SKILLS TO MEET THEIR EDUCATIONAL ASPIRATIONS.

MONEY FOR COLLEGE EDUCATION IS CLEARLY THE TOP MOTIVATOR FOR ENLISTEES WHO HAVE HIGH SCORES ON THE ARMED FORCES QUALIFICATION TEST. THESE ARE YOUNG MEN AND WOMEN WHO HAVE CHOSEN TO EARN ALL OR A PART OF THE COST OF FURTHER EDUCATION BY SERVING - OFTEN UNDER RIGOROUS CONDITIONS - IN DEFENSE OF THEIR NATION. THEY HAVE TAKEN A HIATUS OF TWO OR MORE YEARS IN THEIR FORMAL EDUCATION TO SERVE IN THE ARMED FORCES, BUT WILL RETURN TO CIVILIAN PURSUITS MORE MATURE AND MORE KNOWLEDGEABLE THAN THEIR COLLEAGUES WHO DID NOT. WE WELCOME THESE SOLDIERS, RECOGNIZING THAT MANY WILL DECIDE TO LEAVE THE ARMY AFTER COMPLETION OF THEIR ENLISTMENT. THEY WILL LEAVE WITH A SENSE OF DEDICATION, SERVICE AND A VALUED WORK ETHIC.

OUR EDUCATIONAL ASSISTANCE PROGRAMS DO NOT AND MUST NOT APPLY ONLY TO THE ACTIVE FORCE. THE RESERVE COMPONENTS, THE ARMY NATIONAL GUARD AND US ARMY RESERVE, MUST ALSO BE PROVIDED EDUCATIONAL INCENTIVES TO ATTRACT HIGH QUALITY YOUTH. THE CURRENT DOD EDUCATIONAL ASSISTANCE PROGRAM WHICH PROVIDES UP TO $4000 FOR A SIX YEAR ENLISTMENT AND THE MODEST LOAN REPAYMENT PROGRAM TO RESERVE COMPONENT SOLDIERS ARE EFFECTIVE. ITS USE HAS GROWN STEADILY IN BOTH THE NATIONAL GUARD AND THE US ARMY

RESERVE SINCE ITS INCEPTION IN FY79 -- FROM 527 CONTRACTS TO 11,277 IN FY83. IT MAY BE NECESSARY TO DO MORE AS WE ENLARGE THE SIZE OF THE RESERVE COMPONENTS, FOR ACCESSIONS INTO THE RESERVE COMPONENTS HAVE FALLEN BELOW PROGRAM DURING THE FIRST QUARTER OF FY84. THE NATIONAL GUARD CONTRACTS ARE 36.6 PERCENT AND THE US ARMY RESERVE 11.1 PERCENT BELOW THE COMPARABLE FY83 LEVEL. ALTHOUGH WE ARE MAKING ENLISTMENT OBJECTIVES IN THE ACTIVE ARMY, THE NUMBER OF HIGH SCORING YOUTHS PRESENTING THEMSELVES TO THE MILITARY ENLISTMENT PROCESSING STATION FOR PHYSICAL EXAMINATION DROPPED DURING THE FIRST QUARTER FY84 BY 22 PERCENT OVER THE FIRST QUARTER FY83. WE WILL WATCH THESE TRENDS CLOSELY.

FINALLY, WE MUST ADDRESS THOSE SOLDIERS NOW ON ACTIVE DUTY BUT WHO REMAIN ELIGIBLE FOR THE BENEFITS OF THE VIETNAM ERA "GI BILL". NEARLY 295,000 ACTIVE DUTY ARMY OFFICERS AND ENLISTED MEN AND WOMEN ARE ELIGIBLE TO RECEIVE GI BILL BENEFITS AT PRESENT. ON 1 JANUARY 1990, APPROXIMATELY 150,000 OF THESE INDIVIDUALS WOULD STILL BE ON ACTIVE DUTY UNDER NORMAL CIRCUMSTANCES, AND WOULD HAVE TO FOREGO EARNED BENEFITS. THERE IS A SUBSTANTIAL BODY OF SOLDIERS WHO WILL BE SERIOUSLY TEMPTED TO LEAVE THE SERVICE TO USE WHAT THEY HAVE EARNED. THEY FALL INTO TWO CATEGORIES: SOLDIERS WHO ARE ELIGIBLE TO RETIRE AND WILL DO SO EARLIER THAN THEY WOULD OTHERWISE HAVE DONE; AND SOLDIERS WHO ARE IN THEIR EIGHTH TO FOURTEENTH YEAR OF SERVICE AND NOT YET FULLY COMMITTED TO A TWENTY YEAR CAREER.

IN 1985 - THE ARMY WILL HAVE 152,000 SOLDIERS WHO COULD LEAVE THE SERVICE TO TAKE FULL ADVANTAGE OF A FOUR YEAR COLLEGE PROGRAM UNDER THE GI BILL.

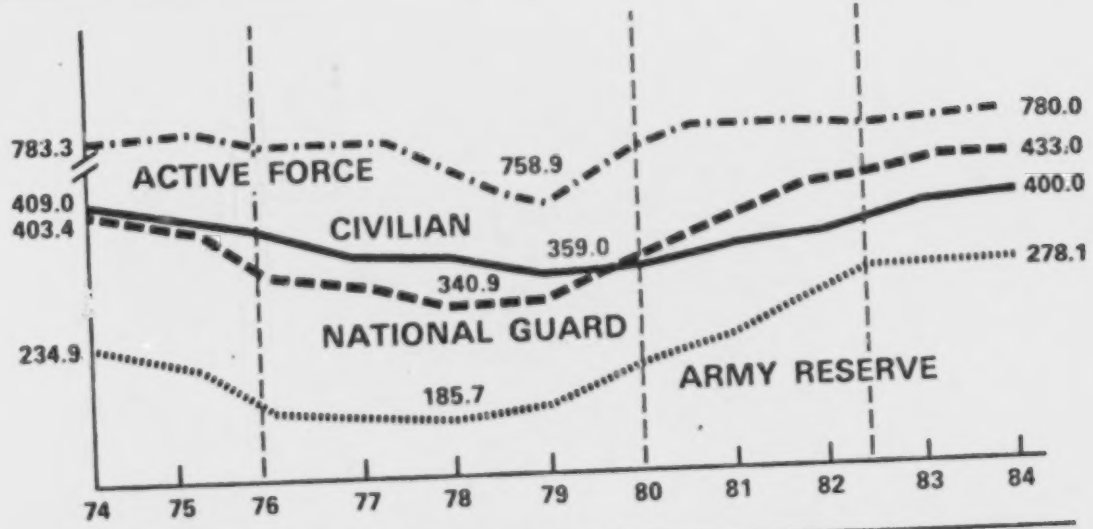
NOT ALL OF THESE SOLDIERS WILL LEAVE TO GO TO COLLEGE. HOWEVER, THERE ARE OVER 40,000 MEN AND WOMEN FROM THE TOP TWO TESTING CATEGORIES IN THIS GROUP. THEY REPRESENT THE TOP 20 PERCENT OF THE ARMY'S ENLISTED FORCE BY TEST SCORE CATEGORY AND ARE THE SKILLED NCO'S AND TECHNICIANS IN THE FORCE. THEY ALSO COME FROM THE GROUP THAT HAS HAD A HIGHER PROPENSITY TO ASPIRE TO HIGHER EDUCATION. IF YOU BELIEVE, AS I DO, THAT A SUBSTANTIAL FRACTION OF THESE PEOPLE WILL ACTUALLY LEAVE, THEN YOU MUST CONCLUDE THAT WE COULD BE IN SERIOUS TROUBLE. NCO'S HAVE EXPRESSED THEIR CONCERN OVER THIS MATTER IN TESTIMONY BEFORE CONGRESS IN 1981, AND IN LETTERS TO THE ARMY AND THE PRESIDENT. INDIVIDUALS NOW IN THE SERVICE WHO ARE ELIGIBLE FOR THE GI BILL BENEFITS SHOULD BE PERMITTED A TEN YEAR PERIOD IN WHICH TO USE THEIR BENEFITS ONCE THEY LEAVE THE SERVICE. THIS IS THE SAME AS HAS BEEN AFFORDED TO OTHER VIETNAM ERA VETERANS.

IN SUMMARY, EDUCATIONAL BENEFITS ARE A VITAL PART OF THE TOTAL PACKAGE OF RESOURCES WITH WHICH WE ATTRACT HIGH QUALITY MEN AND WOMEN TO MILITARY SERVICE. IT IS ESSENTIAL THAT WE RECEIVE YOUR CONTINUED SUPPORT FOR EDUCATIONAL ASSISTANCE PROGRAMS, FOR BOTH THE ACTIVE AND RESERVE COMPONENTS.

I AM PREPARED TO ANSWER YOUR QUESTIONS.

GENERAL MAXWELL R. THURMAN
Vice Chief of Staff, Army
Testimony before:
Senate Committee on Veteran's Affairs
21 February 1984

FOUR VOLUNTEER ARMIES



PAY COMP UNEMPLOY EDUC BEN	YES INCREAS- ING GI BILL	NO DECREASING VET EDUC ASST PROGRAM (VEAP)	YES INCREASING VEAP + INCENTIVE	DECLINING DECREASING ARMY COLLEGE FUND
RCTG RES	ADEQUATE	ERODED	ADEQUATE	ADEQUATE?

1

ACTIVE ARMY RECRUITING OBJECTIVES

	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85
OBJ	192.6	182.2	137.0	159.2	172.8	136.8	125.1	144.5	147.5	139.6
ACC/DEP	193.0	180.7	134.4	142.1	173.2	137.9	129.6	145.3	85.4	
%	100.2	99.2	98.1	89.3	100.3	100.8	103.6	101.6	62.1	
HSDG(M)	91.3	86.2	74.5	65.6	66.5	77.5	88.2	99.7	102.5	103.0
HSDG(F)	14.2	13.4	16.8	17.1	19.3	17.2	15.1	16.5	18.0	19.1
%HSDG	58.6	59.2	73.7	64.1	54.3	80.3	86.2	87.6	88.0	90.4
TOTAL	105.5	99.6	91.5	82.8	85.8	94.7	103.3	106.2	120.5	122.1

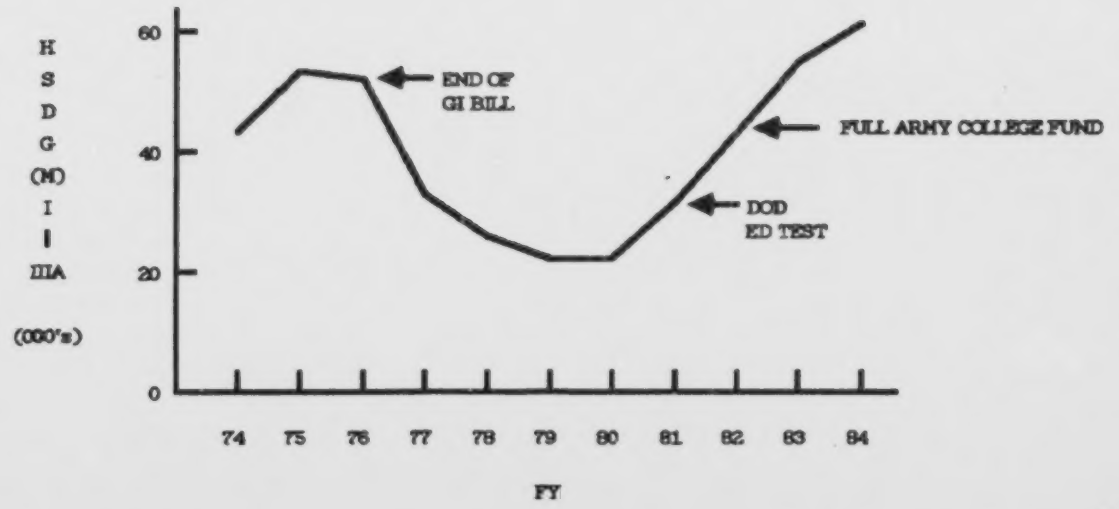
LAST YEAR OF GI BILL

A

B

AS OF 25 JAN 84

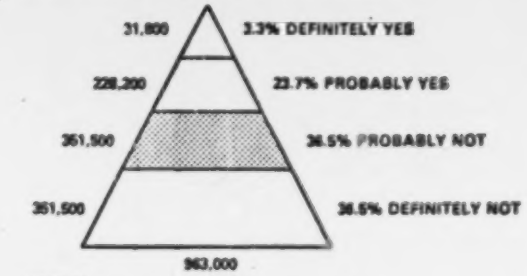
HIGH SCHOOL GRAD MALE I-IIIA (UPPER HALF) ACCESSIONS



THE MARKET — SUPPLY AND DEMAND

SUPPLY AND DEMAND — PROPENSITIES

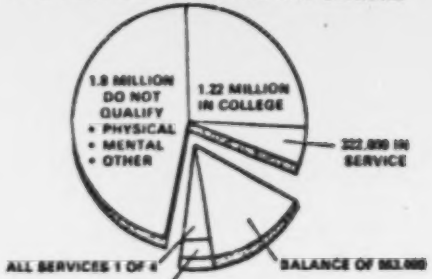
17-19 YEAR OLD MALE HSDG AND SENIORS



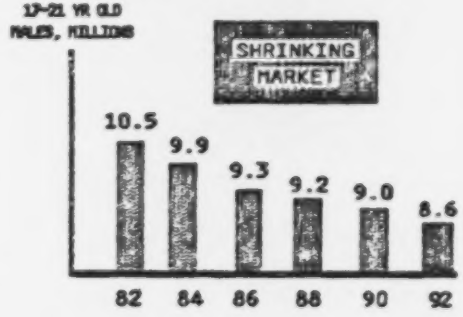
SOURCE:
YOUTH ATTITUDE TRACKING STUDY FALL 1982

SUPPLY AND DEMAND — THE NUMBERS

4.3 MILLION
17-19 YEAR OLD MALE HSDG AND SENIORS



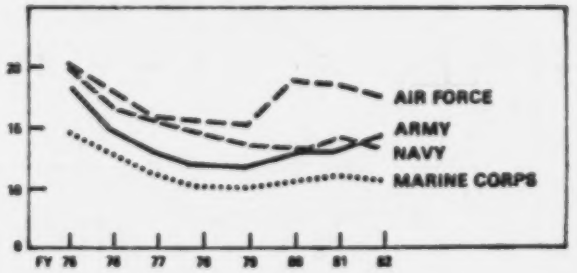
SOURCE:
DEPT. OF LABOR 1981



SOURCE: BUREAU OF CENSUS

18-23 YEAR OLD MALES SAY...

GROSS PROPENSITY



SOURCE:
YOUTH ATTITUDE TRACKING STUDY FALL 1982

WHY DO WE NEED QUALITY?

THREE MAJOR DIMENSIONS TO IMPACT OF NEW SYSTEMS

1. ON OPERATORS
2. ON MAINTAINERS
3. ON TACTICAL AND TECHNICAL LEADERS

INVESTED HEAVILY IN NEW SYSTEMS

$$P_{\text{System Performance}} = P_{\text{Equipment Design}} \times P_{\text{Human Capability}}$$

SYSTEMS TYPICALLY DESIGNED FOR $P_E = .9$

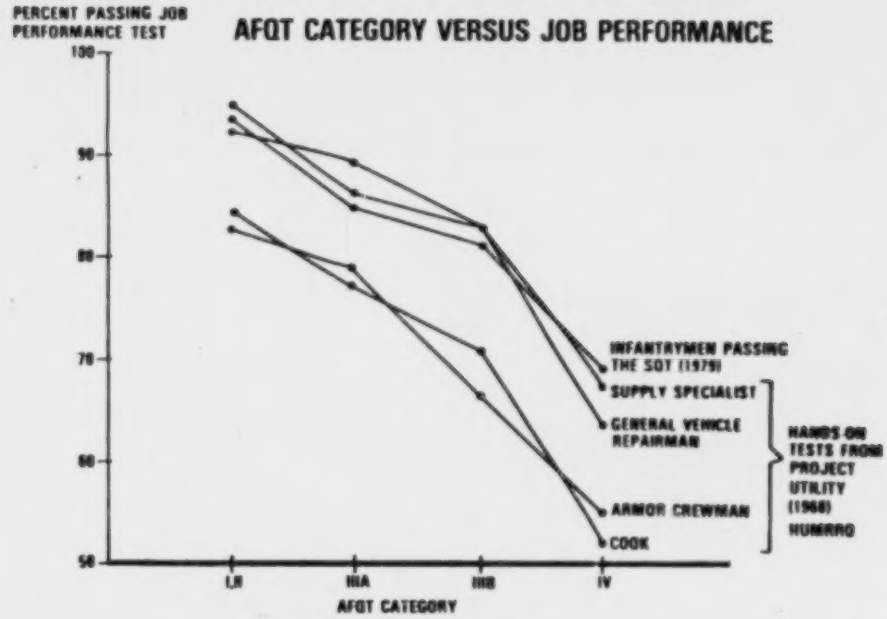
BEST LEVERAGE AVAILABLE FOR INCREASING FORCE PERFORMANCE LIES IN SELECTING (RECRUITING), TRAINING, ASSIGNING AND RETAINING HIGH QUALITY PERSONNEL

GUNNER'S OPERATIONAL EMPLOYMENT TASKS
(NO WARNING)

- DETECTION
- TAKE WEAPONS OUT OF CARRYING CASE
- WEAPON PREPARATION
  - UNFOLD ANTENNA
  - REMOVE COVER
  - RAISE SIGHT
  - CONNECT CABLE
  - POINT AT TARGET
  - UNCAGE SAFETY ACCUATOR
- INSERT BATTERY AND COOLANT UNIT (45 SEC LIFE CYCLE AFTER INSERTION)
- IFF
  - PRESS SWITCH
  - LISTEN FOR TONE
- TRACK
- RANGE - USING RANGE RINGS
- AIM & FIRE

IF TARGET CLOSING AT 450 KNOTS...
- 18.4 SEC TO FIRE IF TARGET DETECTED AT 3KM
- 34.4 SEC TO FIRE IF TARGET DETECTED AT 5KM

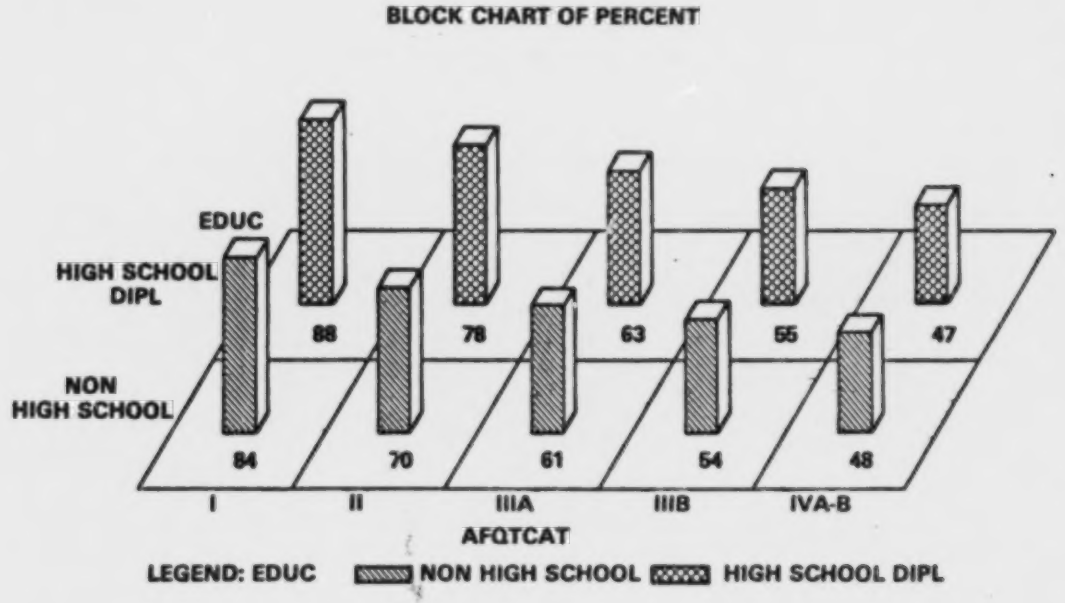
- DISENGAGE



RAND REPORT BY DR. DAVID J. ARMOR
" MENTAL ABILITY AND ARMY JOB PERFORMANCE "

PERCENT PASSING SKILL QUALIFICATION TEST

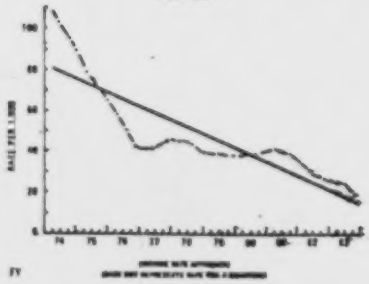
NOTE: ARI DATA ON 125,797 FIRST TOUR EM IN 19 MOS.



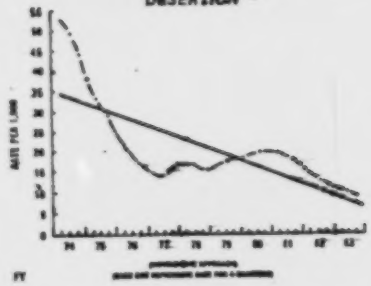
SOURCE: ARI RESEARCH STUDY, 1983

EFFECTS OF QUALITY

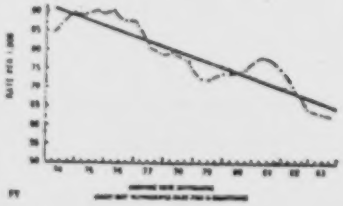
AWOL *



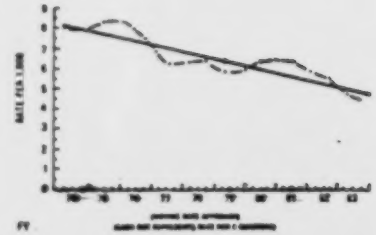
DESERTION *



CRIMES AGAINST PROPERTY

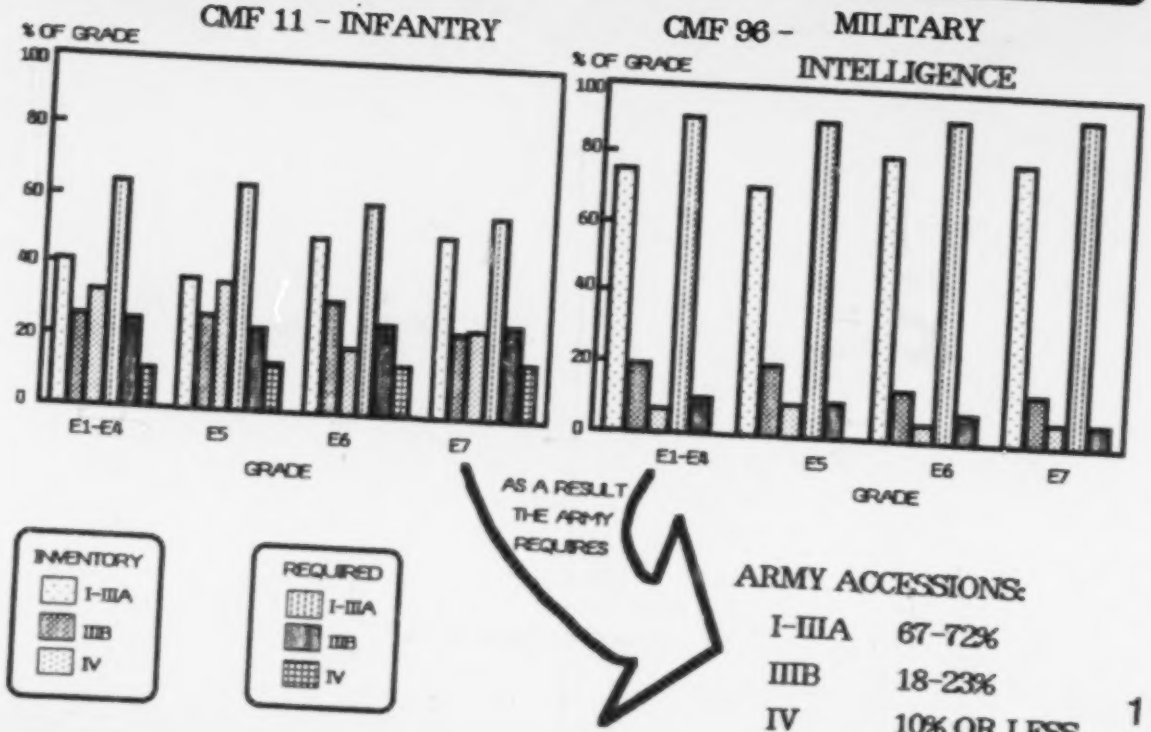


VIOLENT CRIME



* LOWEST ON RECORD .

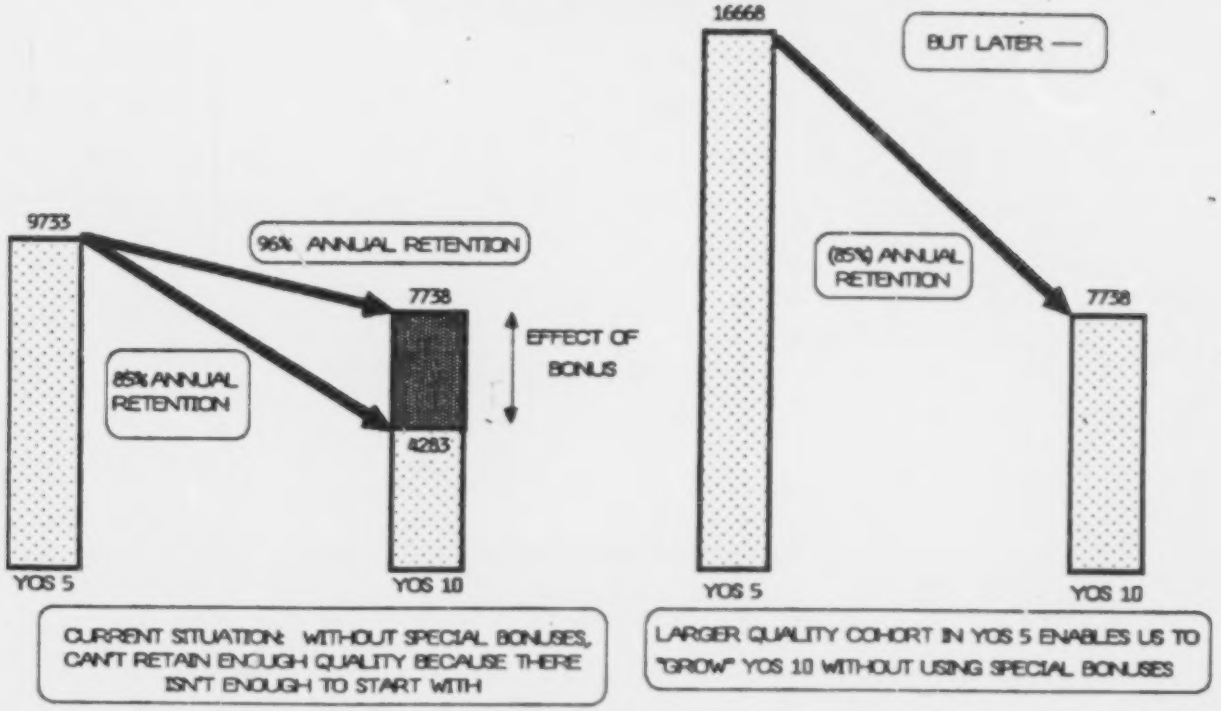
INVENTORY VS REQUIRED BY TEST SCORE CATEGORY



THE LEADERS AND HIGH SKILL TECHNICIANS

	5 YRS SVC FIRST-LINE SUPERVISORS			10 YRS SVC MID-LEVEL SUPERVISORS		15 YRS SVC SENIOR SUPERVISORS	
	REQ	OH		REQ	OH	REQ	OH
HS MC I-IIIA	16668	9733	A	7738	7541	5627	4418
HS MC III-B	6682	5491		3487	4056	2686	1554
HS MC IV	5028	14624	B	2664	2111	2106	1646
NON-HS MC I-IIIA	5127	2358		2266	1412	1647	1124

GROWING QUALITY COHORTS



SEGMENTED MARKET

EMPLOYMENT ORIENTED

- SERVICE/PATRIOTISM
- EMPLOYMENT/JOB SECURITY
- SKILL TRAINING
- FAMILY BENEFITS

RESPONDS MOST TO "UP FRONT" ATTRACTIONS OF PAY AND BONUSES

COLLEGE ORIENTED

- SERVICE/PATRIOTISM
- HIATUS/ADVENTURE
- INDEPENDENCE

RESPONDS MOST TO EDUCATION BENEFITS

BONUSES PRIMARILY USED TO DISTRIBUTE HIGH-QUALITY ENLISTEES

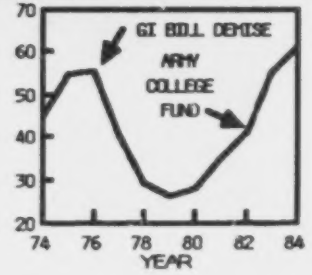
ATTRACTION VALUE OF EDUCATION INCENTIVES IS SHOWN BY:

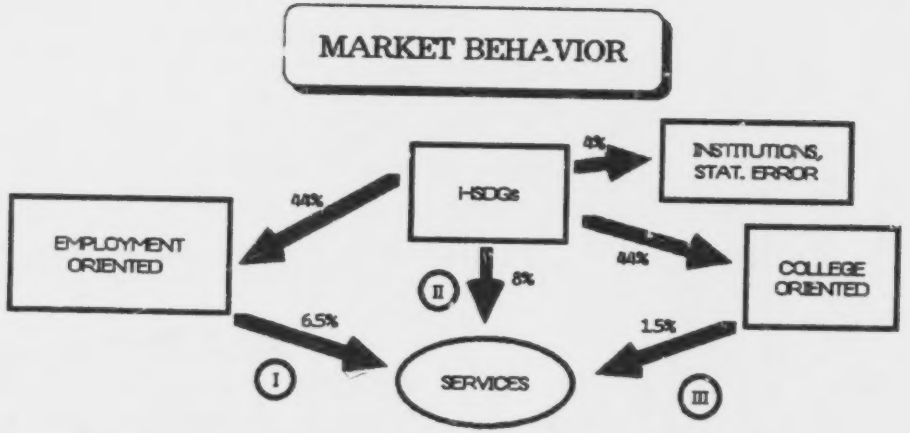
—OVERALL RISE IN HIGH TSC ACCESSIONS SINCE ACF

—20% OF NEW RECRUITS SAY THEY WOULD NOT HAVE JOINED BUT FOR THE EDUCATION INCENTIVES

—ARMY ACCESSIONS "SPIKED" BY 40% IN THE LAST QUARTER BEFORE GI BILL ELIGIBILITY CUTOFF

ACCESSIONS, 000'S, HSDG MALE I-IIIA





GROUP I: SENSITIVE PRIMARILY TO PAY AND BONUSES; ALSO ATTRACTED BY TRAINING IN TRANSFERABLE CIVILIAN SKILLS.

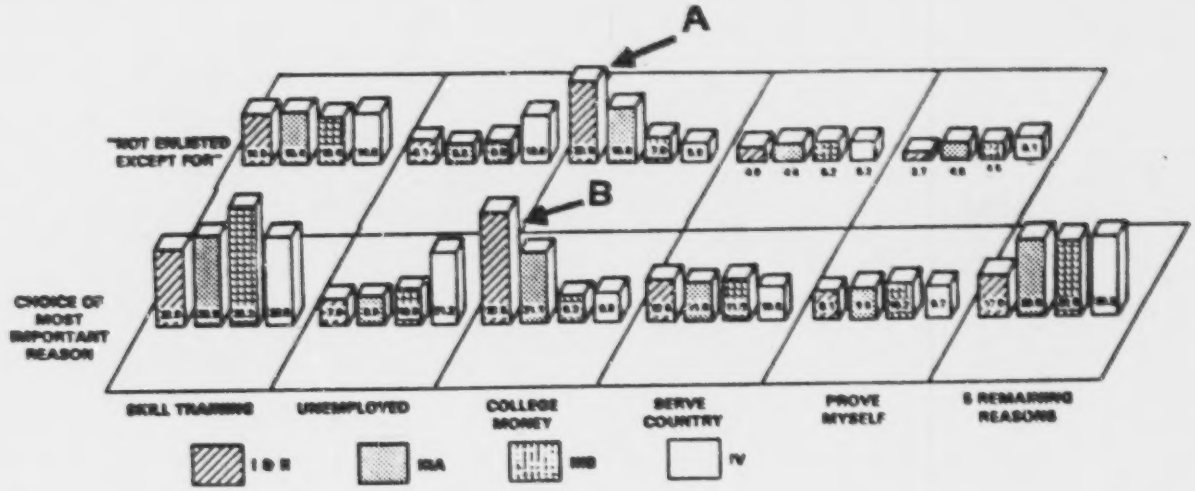
GROUP II: SENSITIVE BOTH TO PAY AND BONUSES AND, TO A LESSER EXTENT TO EDUCATION BENEFITS.

GROUP III: VIRTUALLY INSENSITIVE TO PAY AND BONUSES; SENSITIVE TO EDUCATION BENEFITS. EDUCATION BENEFITS EXPAND THIS MARKET, THEREBY OFFSETTING SHRINKAGE.

RAND ANALYSIS OF EDUCATIONAL BENEFITS, 1982: "... A TARGETED PROGRAM CAN IMPROVE MANNING IN HARD-TO-FILL SPECIALTIES WHILE AT THE SAME TIME INCREASING THE OVERALL NUMBER OF HIGH-QUALITY RECRUITS."

"... EFFECT OF ULTRA-VEAP KICKERS WAS ... NOT MATCHED BY LOSSES (IN) NAVY AND AIR FORCE."

IMPORTANT REASONS FOR ENLISTING FOR MALE HIGH SCHOOL GRADUATES (1983)



SOURCE: NPS RA RECRUITS, 1983 ARI RECRUIT SURVEY

SAMPLE SIZE: 8,500

ARMY COLLEGE FUND

	CONTRACTS			
	2-YR	3-YR	4-YR	TOTAL
1984 RESULTS (16 JAN)	6,418	10,318	13,658	30,394
1983 RESULTS	8,658	16,623	19,132	44,413
1982 RESULTS	9,107	15,021	18,979	43,107
1981 EDUC ASSISTANCE	1,334	1,216	2,132	4,682

TEST PROGRAM RESULTS 18% OF NATION

PROGRAM NATIONWIDE

ELIGIBILITY REQUIREMENTS:

- NPS HSDG I-IIIA
- SELECTED MOS (67)
- PARTICIPATE IN BASIC VEAP

VIETNAM ERA GI BILL USE

PERCENT PARTICIPATION	PERCENT OF BENEFITS USED
42.9	0-25
19.5	25-49
15.7	50-74
11.7	75-99
10.2	100

MAXIMUM BENEFIT

$8,000 FOR 2 YEAR ENLISTMENT
$2,400 INDIV. CONTRIBUTION
$4,800 2:1 GOVMT MATCHING
$15,200

$12,000 FOR 3 OR 4 YR ENLISTMENT
$2,700 INDIV. CONTRIBUTION
$5,400 2:1 GOVMT MATCHING
$20,100

SELECTED RESERVE EDUCATIONAL ASSISTANCE PROGRAM

ELIGIBILITY

6-YEAR ENLISTMENT
HSDG I-IIIB FOR ED ASSIST; I-IIIA FOR LOAN REPAYMENT
CRITICAL SKILL (85 MOS, USAR/ARNG DIFFERENT LISTS)
OR HIGH PRIORITY UNIT (GENERALLY RDF/D-D+60)

BENEFITS

ED ASSIST PROGRAM: UP TO $1,000 PER YEAR, MAX $4,000
PAID ON SUBMISSION OF RECEIPTS
LOAN REPAYMENT PROGRAM: UP TO $500 PER YEAR AFTER
ONE YEAR SATISFACTORY SERVICE, MAX $10,000

	79	80	81	82	83	84	85
EXPENDITURES ($000)							
ED ASSIST PROGRAM	0	103	923	2808	5179	8600	11723
LOAN REPAYMENT PROGRAM	0	0	0	8	379	2000	2000
PRODUCTION							
ED ASSIST PROGRAM	327	494	6453	7747	11277	8918	9244
LOAN REPAYMENT PROGRAM	0	0	1481	0	1738	4000	4000

1st QTR 84 ACTIVE FORCES STATISTICS

ARMY TOTAL GRADS ACCESSION 29,568, UP 2,952 FROM 1ST QTR 83.

% GRADS 90%, UP 4% FROM 1ST QTR 83.

% MC I-IIIA 67.5%, UP 4% FROM 1ST QTR 83.

BUT WARNING CLOUDS . . . . . .

ECONOMIC CHANGES	END 82	END 83	NOW	END 84
UNEMPLOYMENT				
OVER 20	10.8	8.2	8.0	7.4-7.7
TEENAGERS	24.5	19.3	18.8	17.4-18.1

AND KEY 1ST QTR 84 RECRUITING INDICATORS

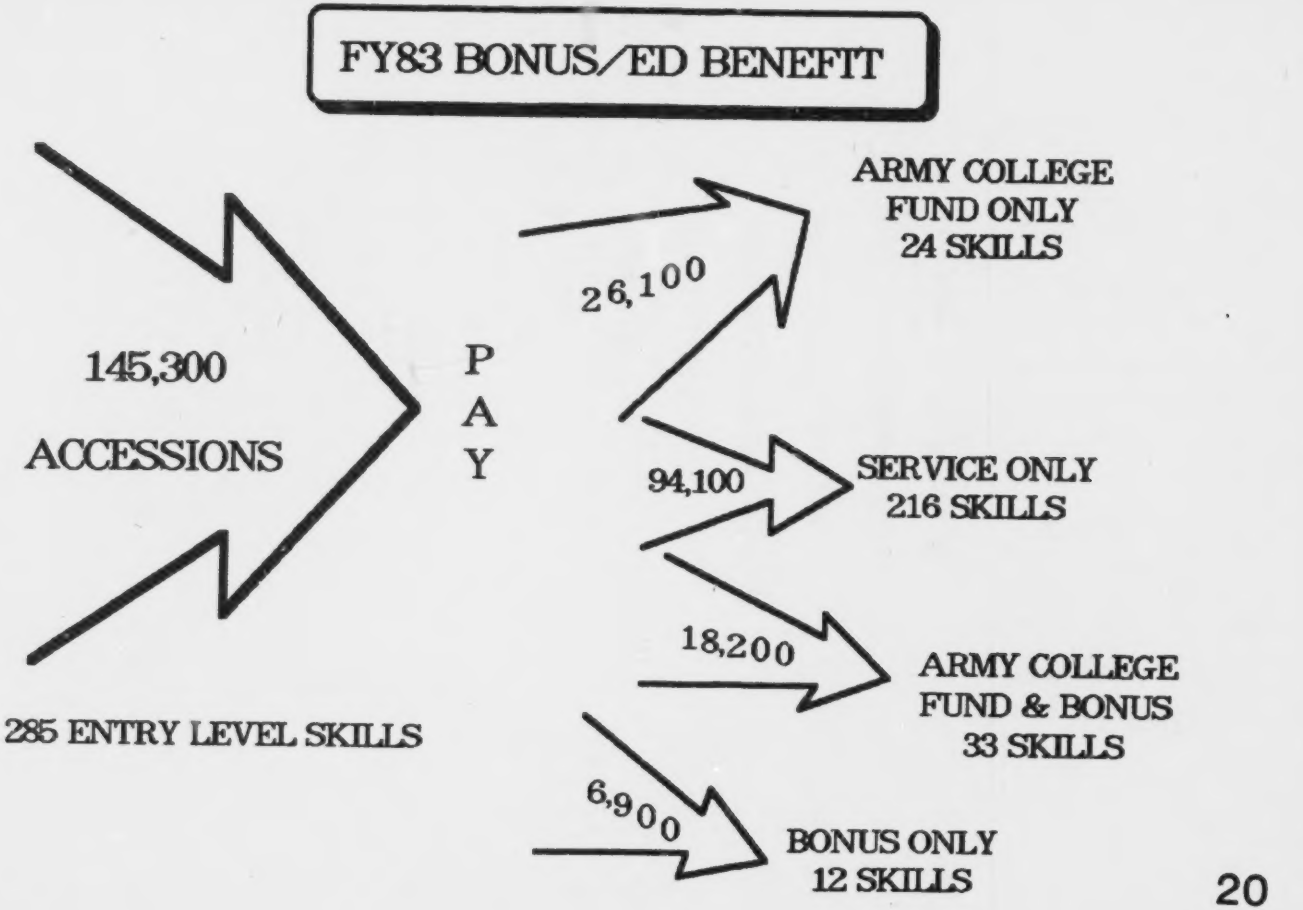
DOD ACTIVE ASVAB TEST (PROD) 210,000 DOWN 16% FROM 1ST QTR 83

DOD ACTIVE MEDICAL EXAM 141,200 DOWN 17% FROM 1ST QTR 83

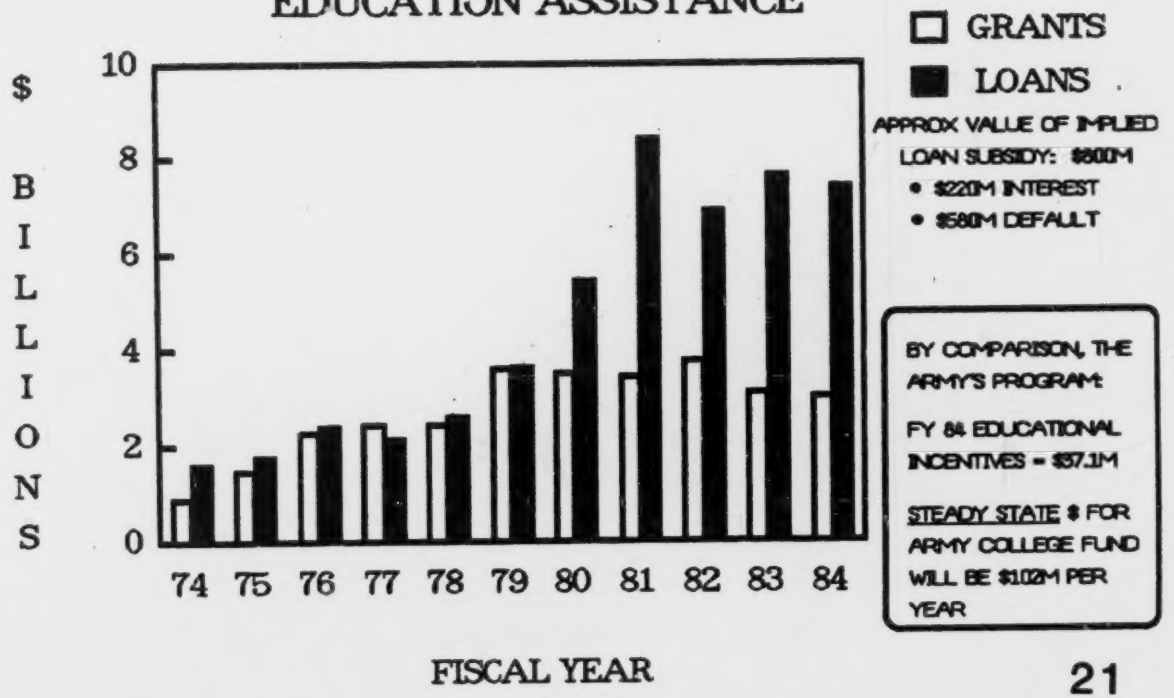
DOD CONTRACTS 82,000 DOWN 13% FROM 1ST QTR 83

DOD RECRUITING MISSION IS RISING FROM 332,000 IN '83 TO 343,000 IN '84, UP 3%

34-268 0 - 85 - 10


FY83 BONUS/ED BENEFIT
145,300
ACCESSIONS
285 ENTRY LEVEL SKILLS
P
A
Y
26,100
ARMY COLLEGE
FUND ONLY
24 SKILLS
94,100
SERVICE ONLY
216 SKILLS
18,200
ARMY COLLEGE
FUND & BONUS
33 SKILLS
6,900
BONUS ONLY
12 SKILLS

DEPARTMENT OF EDUCATION
POST-SECONDARY
EDUCATION ASSISTANCE



ARMY COMMITMENT TO EDUCATION

ROTC
12,000 SCHOLARSHIPS IN FORCE
5,000 NEW SCHOLARSHIPS EACH YEAR (1,500 4YR, 1,750 EACH FOR 2&3YR)

USMA
4,400 IN RESIDENCE
1,400 NEW EACH YEAR

USAR/ARNG
34,000 PARTICIPATING ($30M)
$1,000 EACH/YEAR, MAX $4,000
PLUS LOAN REPAYMENT

ACTIVE ARMY
97K BASIC VEAP PARTICIPANTS
46K ARMY COLLEGE FUND PARTICIPANT
STEADY STATE COST $134M

ACES OFF DUTY
270,000 PARTICIPATING
$24M COST

RESPONSE OF THE DEPARTMENT OF THE ARMY TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. General Thurman, I believe that all of us here are in agreement that educational benefits are important and are appropriate as a reward, or compensation for honorable military service. Granted, the VEAP program is more modest than the past "GI Bills", and possibly it should be improved, but it does appear that the contributory nature of the program assures that benefits go to those who place the greatest value on additional educational opportunities.

In light of the fact that today's servicemembers receive far better pay and benefits than their Vietnam-era counterparts, and even assuming the availability of unlimited federal dollars, do you believe that it is unreasonable to require servicemembers to contribute in order to receive a valuable benefit?

Answer 1. I feel that education benefits are important and appropriate rewards for service. Requiring servicemembers to contribute is not the right approach. First, it lessens the nature of the reward. Second, education is expensive, and the soldier receiving benefits will still have other costs to pay. Third, while today's servicemembers receive better pay, their expenses have risen too, and pay comparability has again eroded--not to mention the fact that initial entry soldiers have recieved none of the last two pay raises.

Question 2. Assume for a moment that you have been authorized by Congress to spend $400 million dollars in the Department of Defense -- over and above its current budget -- and that your objective is to spend that money in the best interests of the national security. Would you devote that money to a new GI Bill, to weapon programs, or other areas? (If GI Bill). If you consider the GI Bill that important, may I assume that in your capacity as Chief of Personnel for the Army, you strongly recommended the Army request funding for this program?

Answer 2. Sir, I feel that a GI Bill would be an appropriate use for an additional $400 million.

Question 3. General Thurman, in your prepared statement, you noted that the number of high scoring youths presenting themselves to the military enlistment processing station for physical examination dropped during the first quarter of FY84 by 22 percent over the first quarter of FY83. Have the number of contracts signed declined similarly?

Answer 3. Contracts have declined. We are approximately 20% below the equivalent rate of a year ago.

RESPONSE OF THE DEPARTMENT OF THE ARMY TO WRITTEN QUESTIONS SUBMITTED BY HON. SPARK M. MATSUNAGA, A U.S. SENATOR FROM THE STATE OF HAWAII

Question 1. When the Department of Defense began discussing the possibilty of terminating the Vietnam-era GI Bill, what was the position of the Army and what effect did the Army believe this would have on its recruiting success after termination?

Answer 1. The decision to end the Vietnam era GI Bill was sent to the Congress by President Ford on 7 May 1975. The House of Representatives, Subcommittee on Education and Training of the House Committee on Veterans' Affairs, met on 29 July 1975 to hear draft legislation on the termination. Department of Defense did not appear before the committee. However, the concerns that we are raising today were expressed then by the Non-Commissioned Officers Association: ". . . if the eligibility period is shortened for those who are now serving on active duty, many experienced and highly skilled young officers, and non-commissioned officers and petty officers will cut their military careers short in order to take advantage of VA education benefits." The Fleet Reserve Association made a similar statement.

Question 2. How badly did the Army actually fare compared to its predictions, particularly in terms of the recruitment of high quality personnel?

Answer 2. Table 1 illustrates how the Army fared in meeting its accession and delayed-entry program objectives in the years following termination of the GI Bill and before the Army College Fund took effect. Between 1977 and 1979, the Army failed to meet its recruiting objective. In 1979 we recruited only 89.3% of the quantity of soldiers we needed. In addition, the quality of the enlistee declined with percentage of high school graduates dropping to 54.3% in 1980. At the same time the percent of test category IV, the lowest category accepted into the Army was 52% of our non-prior service accessions.

TABLE 1. ACTIVE ARMY RECRUITING OBJECTIVES

	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84
OBJECTIVE	192.6	182.2	137.0	159.2	172.8	136.8	125.1	144.5	147.9
ACCESSIONS	193.0	180.7	134.4	142.2	173.2	137.9	130.2	145.4	109.3 *
%	100.2	99.2	98.1	A 89.3	100.2	100.8	104.1	100.6	73.9
HSDG(M)	91.3	86.2	74.6	65.6	66.5	77.5	88.4	99.7	104.4
HSDG(F)	14.2	13.5	16.8	17.2	19.3	17.2	15.2	16.5	17.6
IRSDG	58.6	59.2	73.7	64.1	B 54.3	80.3	86.0	87.6	88.9
TOTAL	105.5	99.7	91.4	82.8	85.8	94.7	103.3	106.2	122.0
	Last year of GI Bill								

* ACCESSIONS PLUS DELAYED ENTRY PROGRAM AS OF 12 MAR 84.

Question 3. Do you attribute the steep decline in quality accessions after 1976 primarily to the termination of the GI Bill at the end of that year?

Answer 3. Yes, I do. However, other factors also affected our decline in quality accessions, such as the erosion of pay comparability, the decline in unemployment and the reduction in recruiting resources. These factors are just slower acting but equally important. Termination of the Vietnam era bill was a precipitous event. The sudden increase in enlistments of 5800 High School Diploma Graduates Category I-IIIA in December 1976 (2.2 time the previous December's enlistments and 3.9 times what the next December's would bring) just before the bill expired and the decline afterward shows how attuned high quality American youth was and continues to be to education incentives.

Question 4. Besides quality recruiting, how else was the Army affected by the termination of the GI Bill? Did attrition increase? If so, did the Army experience other costs associated with lower-quality recruits and attrition?

Answer 4. Attrition and costs did increase.

Lower mental category soldiers and non-high school graduates do attrit at a higher rate than their higher quality colleagues. For example, 46% of the three year male non-high school graduates accessed in 1979 did not complete their enlistments. Only 24% of the graduates in the same cohort failed to complete their enlistment. They must be replaced as they drop out before completing their terms of service. This adds to the demand for even higher recruiting misions. In addition, lower quality soldiers require more training to become proficient. This drives up training as well as recruiting costs to compensate for the larger mission.

Thus, following loss of the GI Bill we were having to access more lower quality soldiers with the ensuing replacement and training costs.

In my judgment, loss of the GI Bill signaled to the soldiers a lack of support and recognition of their service. It marked a turning point in support for education benefits, pay comparability and recruiting resources in general. The upshot was a steady decline in manning and force readiness in the active Army, National Guard, and US Army Reserve. This decline continued through 1980. At that time the ineffective Veterans Educational Assistance Plan (VEAP) was augmented by the "kicker" and then became the Army College Fund. The Selective Reserve Incentive Program was in place to support the Reserve Components. The Army, including the Reserve Components, turned around at that time.

Question 5. In retrospect, do you believe it was a wise decision to terminate the GI Bill in 1976?

Answer 5. In my personal opinion, no sir, I do not.

Question 6. Does the Army plan to increase its end strength over the next five years? If so, what effect will that increase have on the number of high quality recruits the Army will require?

Answer 6. The Army does not plan to increase its active duty end strength above FY85 President's Budget levels of 780.8 thousand. We do have a requirement, to have no less than 65% of our accessions be Armed Forces Qualification Test mental category I to IIIA, to have no more than 10% category IV and to have at least 90% high school graduates.

Question 7. What are the Army's requirements at the present time for high quality recruits, broken down by Category? In the out-years?

Answer 7. The actual quality achievements in FY83, the figures to date for FY84, and the requirements for FY85 are shown in Table 2. Requirements for Mental (Test) Score Category I-IIIA recruits will soon level at about 65%, with category IV dropping to approximately 10%.

TABLE 2

AS OF PRESIDENT'S BUDGET RECRUITING (000s)	Actual FY 83	Executn FY 84	Budget FY 85
Recruiting Total	145.3	147.5	139.6
Male Non-Prior Service (NPS)	116.2	118.9	116.0
HSDG	99.7	102.5	103.0
I-IIIA Test Score Category (TSC)	55.3	57.7	58.7
IIIB	28.5	30.8	30.8
IV	15.9	14.0	13.5
NHSDG I-IIIA	13.6	16.4	13.0
Female NPS	16.5	18.0	19.1
HSDG	16.5	18.0	19.1
I-IIIA TSC	12.6	12.5	13.3
IIIB	3.9	5.5	5.8
IV	0	0	0
Total NPS	132.7	136.9	135.1
Prior Service (PS)	12.6	10.6	4.5
Male HSDG % of Male NPS	85.8	86.2	88.8
Male TSC I-IIIA	68.9	74.1	71.1
Total HSDG	116.2	120.5	122.1
Total HSDG Total %	87.6	88.0	90.3
Total TSC I-III %	61.4	63.2	62.9
Total TSC IV %	12.0	10.2	10.0

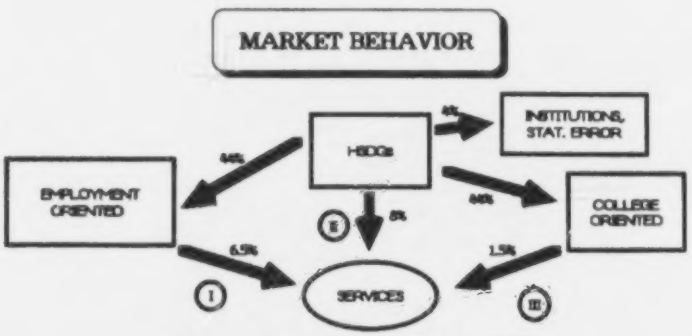
TSC I-IIIA WILL APPROACH 65% IN THE OUTYEARS.

Question 8. Over the next several years, does the Army plan to keep its requirements for high quality recruits above Congressionally-mandated standards? If so, why?

Answer 8. We do. The need for quality is not static. Each of our components, such as Infantry, Engineers, Signal Corps, etc., has analyzed the capabilities needed by its soldiers now and in the future. This analyses derives from the requirement to operate the equipment it has or will have and the missions and responsibilities it must perform on future battlefields. We are not just trying to solve the distinct quality shortfall that we encountered in recent years. We are building an Army better manned to use the systems coming into the inventory and, as NCOs, to lead tomorrow's Army in an increasingly sophisticated environment.

Question 9. Is it true that cash inducements are attractive primarily to labor-market oriented high school graduates, while college-bound youths are attracted more by educational incentives, such as a GI Bill?

Answer 9. Yes, it is. The college oriented soldiers value the larger amount of money, specifically to be used to pay for a college education two or more years in the future, over a lower amount of cash today. You must remember, the Army College Fund is targeted at the college-bound market, while enlistment bonuses are most attractive to the employment oriented soldier. The attached chart illustrates how education benefits can be used to offset the shrinking population by expanding the college-oriented sector of the recruiting market. Our data supports this fact as confirmed by RAND analysis



GROUP I: SENSITIVE PRIMARILY TO PAY AND BONUSES; ALSO ATTRACTED BY TRAINING IN TRANSFERABLE CIVILIAN SKILLS.

GROUP II: SENSITIVE BOTH TO PAY AND BONUSES AND, TO A LESSER EXTENT TO EDUCATION BENEFITS.

GROUP III: VIRTUALLY INSENSITIVE TO PAY AND BONUSES; SENSITIVE TO EDUCATION BENEFITS. EDUCATION BENEFITS EXPAND THIS MARKET, THEREBY OFFSETTING SHRINKAGE.

RAND ANALYSIS OF EDUCATIONAL BENEFITS, 1982: "... A TARGETED PROGRAM CAN IMPROVE MANNING IN HARD-TO-FILL SPECIALTIES WHILE AT THE SAME TIME INCREASING THE OVERALL NUMBER OF HIGH-QUALITY RECRUITS."

"... EFFECT OF ULTRA-HEAP KICKERS WAS ... NOT MATCHED BY LOSSES (IN) NAVY AND AIR FORCE."

Question 10. In your personal and professional opinion, do you believe that the Army needs a GI Bill to attract college-bound youths to meet its quality accession requirements through the end of this decade? If so, would you explain why?

Answer 10. I do. We must have a good educational incentive program. The GI Bill is recognized nationally and associated with military service in a most positive way. We have found that education benefits attract smart young men and women whose goals include college education and the opportunities which education open to them. As I have demonstrated in earlier responses, by providing these individuals assistance toward their goals, we have, in fact, expanded the recruiting market. The GI Bill would be particularly effective in doing so. The Army profits as these soldiers serve. Their abilities and talents help provide a sound defense for the nation. The soldiers themselves profit not only by the money for education, but by the extra maturity and understanding about our nation's purpose and position in the world that comes with two or more years of service.

I personally feel that a new GI Bill should be non-contributory, should provide additional benefits to service members with particular skills, should be transferable to a soldier's family members and should include within the same legislation comparable provisions for the Reserve Components.

Question 11. In your personal and professional opinion, do you believe that a GI Bill could be cost-effective? How do you respond to criticism that cost per additional recruit under the GI Bill would be prohibitively high? What savings do you think the Army would accrue if a GI Bill was reinstated that would offset some of the high cost per recruit?

Answer 11. The Congressional Budget Office has stated that broad-based improvements in education benefits are an expensive way to improve recruiting, and generally do not focus benefits where they are most needed. The CBO further contends that adding recruiters or increasing bonuses are generally less costly ways to increase the number of high-quality recruits than improving education benefits.

The first comment, in being so general, begs the question of how education benefits are used with bonuses and other incentives to expand the recruiting market. This synergy acts on both the employment- and college-oriented youth of America. We have, in fact, penetrated these markets to the point that sensitivity to bonuses is less than sensitivity to education benefits among the bright young men and women we wish to attract.

The effectiveness of education benefits has been demonstrated. The RAND study, "Enlistment Effects of Military Educational Benefits", February 1982 notes that " . . . educational benefits can produce significant increases in high quality enlistment." Kaplan and Harris of the Rumson Corporation, in "The Measurement of High School Students' Attitudes Toward Recruiting Incentives" states " . . . financial assistance for post-high school education appears to be of primary interest to Mental Categories I and II students" and "Mental Categories IIIA, IIIB, and IVA clearly show greater interest in the magnitude of enlistment bonuses than in the size of the educational assistance portions of the packages." In its 1983 Recruit Survey, the Army Research Institute finds that over 32% of the mental category I and II enlistees place college money as the most important reason for enlisting. Over 23% of the people in these categories say they would not have enlisted without money for college. Clearly, these individuals are influenced by education benefits more than by bonuses. Clearly, education benefits expand the market by attracting bright young men and women intent on a college education.

As to their cost, education benefits are not as expensive as they appear. The basic benefit for all servicemembers need not be very high if a second level of benefits - such as the "kickers" in VEAP - are provided. We must have such a feature to attract soldiers with specific skills and into certain jobs such as the Combat Arms in the Army. Since the smart soldiers respond to education benefits more than do the low scoring ones, the "kickers" can provide the primary attraction and distribution tool. Concurrently, it expands the market for all Services as previously stated. The lower-scoring soldiers will still be eligible for the basic amount - but these are the people least interested in taking advantage of them. In fact data from the Vietnam era GI Bill even shows that the historical GI Bill use is 42.5% of eligibiilty.

The CBO's concern, then, that a GI Bill is not sufficiently targetable and would be throwing money at people who we do not want to target is not well founded. Even if it were, the United States is still generous with grants for education - over $2 billion in 1984. This amount carries no national commitment. I suggest that the men and women who have devoted two to thirty years to defense of our nation by serving in one of its Armed Services have earned an opportunity to use a part of that generosity.

Education benefits are but one part of the package of compensation that makes military service attractive to America's youth. As I noted earlier, the higher scoring enlistee is more responsive to education benefits than to bonuses. The elasticities (a measure of the responsiveness of the soldier to parts of the package of benefits) used by the Army are shown below for smart, category I-IIIA, enlistees. These are derived from experience.

Bonuses	2
Education Benefits	4
Recruiters	0.7

What this says is that the percent change in the number of quality accessions is four times the percent change in the value of the education incentive offered. Don't forget, we are targeting two distinct groups of potential recruits: college oriented and employment oriented. Both groups contain the higher-scoring youngsters we seek, but the college oriented group is richer in this category. Thus, the college-oriented youth has the higher elasticity, which in essence measures the current potential for market penetration. We can take much more from the employment-oriented market but only with significant enlistment bonus increases.

So, the CBO's first criticism is invalid. A GI Bill can be structured to provide something for all soldiers, while the enhanced benefits target the higher-scoring youth market.

To answer the second argument, look first at the elasticity for bonuses, (2), compared against the elasticity of education benefits, (4). The bonus is only half as effective as benefits for education, since we have largely used up the potential in that part of the market that responds to bonuses. We require the bonuses, for their proven distribution effects although large effects in market expansion would require a considerable increase in bonus payment.

Furthermore, the majority of the bonus is paid on successful completion of training, before the soldier has completed his or her term of service. Education benefits are paid beginning three years in the future, usually over a period of two to four years. The soldier perceives the benefit at full value, or discounted by personal discount rates. However, the government does not pay out at full value: 23% of the soldiers attrit before eligibility is established; at that point, 30% reenlist; a further group chooses not to participate; finally as stated earlier, the historical GI Bill use is 42.5% of eligibility.

The elasticity of recruiters is only 0.7, far behind bonuses. The recruiters are successful career NCOs. When they are in the recruiting offices they are not in our combat units. Our total strength will be almost constant in the forthcoming years, so we must balance the needs of the Army in the field against our recruiting needs.

The Army College Fund is a successful program. The elasticities I have shown you indicate that increased education benefits will continue to yield a significant increase in high-quality recruits.

The savings that would accrue if a GI Bill is reinstated would be in two areas. First, smart soldiers require less training time to master the skills they will need. Second, smart high school graduates complete their terms of service at a higher rate than do non-graduates.

In summary, we have looked into the minds of the young men and women of America and see what interests them in military service. Benefits for a college education are clearly most important among the higher-scoring people. The market for upper-half kids is dual, employment oriented and college oriented. The first group responds most to bonuses, and we have tapped it extensively; the elasticity is down to 2, and there is not much more we can get from it, especially in an improving economy. The second group responds to money for college; the elasticity is four, the market can still be expanded by a well-designed program of education benefits.

Question 12. Would you explain why the recruitment of high quality youth, particularly of the college-bound caliber, is so important to the Army?

Answer 12. The case for quality is built around two central facts.

First, smart soldiers more easily master and then retain the skills they need to defend the nation. This has been proven time and again. As the tools of defense become more sophisticated, and as the cost of fielding an Army reduces its size, each soldier must get the most possible from each weapon and must possess initiative and sound judgement. Smart soldiers do this better.

Second, smart soldiers are more likely to complete their terms of service and less likely to become disciplinary problems along the way. 46% of the non-high school graduates who enlisted for three years in 1979 attritted before completing their terms of service. Only 24% of the graduates attritted. Since FY 1980 AWOL has dropped from 36 per 1,000 to below 20 per 1,000. Crime is down as well.

These two facts combine to yield a soldier who is less expensive to the nation.

We must attract college-bound youth. There are not many more smart employment-oriented youth (people who want to go directly to work rather than to college) with a propensity for military service. The declining youth population and competition from an improving economy and other services make further expansion of recruiting in this group unlikely and very costly. Recruiting from the college-bound market can be expanded, however. We have seen that these people respond favorably to benefits which allow them to further their education.

Question 13. There has been criticism of our GI Bill proposal that it will have a negative impact on retention because of the built-in incentive to get out of the service and use the benefits. First, does the Army see this drawback of a GI Bill as insurmountable? If not, what features should a GI Bill have to blunt the negative impact on retention?

Answer 13. Provision of education benefits need not affect retention adversely. First, the Army does not need or want to retain all soldiers who enlist. The understanding and maturity that a former soldier takes with him when he returns to college or to the civilian community strengthens the nation. Many enter college ROTC programs and return to the Army as superb junior officers. Others grow to serve in leadership positions throughout American society, embued with the values and ethics of service.

Second, provisions can be made to aid retention of soldiers who want to stay in the military and who we want to be the leaders of today and tomorrow. Foremost among the possibilities is transferability. If a soldier sees that the education of his children is provided for, he and his spouse are more likely to stay, accepting often arduous assignments but gratified by the service they perform.

Question 14. The GAO also concludes in its testimony that the GI Bill would have a prohibitively high cost per additional high quality recruit. The GAO provides two reasons for this: First, because of its relative inflexibiilty as compared to bonuses, the GI Bill benefit would be paid to many people who would have joined the service anyway; second, the GAO asserts that most people have a preference for cash-in-hand now over any promise of benefits in the future. Based on the Army's experience in recruitment, do you agree with these GAO conclusions?

Answer 14. Again, I refer you to my comments on the CBO's similar assertion. Education benefits, especially with additional features for soldiers with specific skills - which the Army feels are essential in any program of education benefits - can be made flexible.

The GI Bill may, in fact, be paid to many soldiers who would have joined without it. The more correct statement would address eligibility, not payment. All would be eligible but historically only 42.5% of eligibility has been used. Past GI Bills have served the nation very well and are consistent with our nation's commitment to educational excellence as evidenced in its substantial loans and grants program--without any commitment for service.

GAO asserts that most soldiers prefer cash in hand over educational benefits. "Most" is relative but, in fact, many soldiers to include those in the higher test score categories do prefer a bonus. On the other hand, many will only enlist for the education assistance program. That is why it is so important that the dual market be both understood and that carefully crafted recruiting strategies be developed and supported for each. The bonus is an important part of any strategy and its fundamental purpose is to distribute higher quality youth to the more arduous combat arms or other hard-to-fill skills.

Question 15. In the General Accounting Office's testimony today, it is asserted that when specific manpower problems and needs are identified by the military services, the solution to the problem should only be applied to the problem area and not to other areas of defense manpower where the problem does not exist. In other words, the GAO is saying that the broad-brush approach of a GI Bill is unnecessary and not cost-effective. This flies in the face of your support, and the support of the other services, for a GI Bill. Would you care to comment on the GAO's conclusion in this regard?

Answer 15. As I stated in response to an earlier question, education benefits can be tailored to avoid what is at the heart of the GAO and CBO concern - spending money where it is not needed.

They can apply to all soldiers, but targeted as well to the bright, high school graduates we need. These are the soldiers who will use the benefits. Education benefits are a solution applied directly to a problem the fact that the services need bright young recruits, that the employment-oriented market has been tapped to near its limit, that recruitment of college-bound youth can be expanded and that these people respond to education benefits much more than they do to bonuses and other inducements.

Senator MATSUNAGA. Before we go to the next witness, we will take a 5-minute break. I have an urgent matter.

[Whereupon, a brief recess was taken.]

Senator MATSUNAGA. Our next witness will be Dr. Kenneth J. Coffey, Associate Director for Manpower, Reserve Affairs and Logistics of the National Security and International Affairs Division, General Accounting Office, Washington, DC.

Dr. Coffey, we'd be happy to hear from you.

VOICE. Dr. Coffey should be back in a few minutes.

Senator MATSUNAGA. Dr. Coffey, we shall be happy to hear from you.

TESTIMONY OF DR. KENNETH J. COFFEY, ASSOCIATE DIRECTOR FOR MANPOWER, RESERVE AFFAIRS AND LOGISTICS, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, GENERAL ACCOUNTING OFFICE

Dr. COFFEY. Thank you Senator. We testify frequently on manpower matters, often in concert with the Congressional Budget Office and representatives from the Office of the Secretary of Defense. But it's very infrequent that we're all wearing the same color hats, so I feel somewhat uncomfortable having sat there nodding and echoing everything that Larry Korb was saying.

It's a unique position for us, but it is a fact that we share the views Larry Korb expressed concerning a GI bill.

We at GAO have no particular bias for or against a GI bill or any other recruitment or incentive device; instead, it is our view that whatever incentive or mix of incentives are used, the specific manpower problems and needs must first be identified, the solution to the problem should be applied only to the problem, and not to areas where problems do not exist, and finally, the incentives selected should be the most cost-effective and efficient ones available.

And in this context, we are concerned that a GI bill such as that outlined in S. 1747, which contains basic benefits for nearly every servicemember, does not address specifically identified service manpower problems and does not allow the flexibility needed to man the Armed Forces in a cost-effective manner.

Beyond these broad comments concerning S. 1747, we note in our statement for the record a series of other specific concerns and, although time doesn't allow for a discussion of them, I would like to call them to your attention while highlighting one: That of whether a GI bill should be funded on a pay-as-you-go or an accrual basis.

As currently proposed, the full cost of educational benefits would not appear in any budgets until personnel began receiving their benefits. This would be 3 to 6 or more years after the program began. And under such a program, it would be easy to disregard the costs that were being incurred under the program. Accordingly, the temptation would be to disregard the cost implications at that time.

In contrast, funding on an accrual basis, which you approved this past year for military retirement, would explicitly recognize in current budgets the liability being incurred in future expenditures, and we would urge your consideration of this change.

The second proposed bill being considered today, S. 1873, is far less complex than S. 1747. Its primary advantage, as we see it, is that it would require the Defense Department to make an evaluation of the most cost-effective structure for an educational systems program, and whether other incentives would be more cost-effective in manning the military. It would also allow adequate time for the Defense Department to thoroughly examine the alternatives, although this evaluation would be strengthened by expanding the scope of the years' studies and requiring and allowing sufficient time for an independent assessment of the Defense evaluation before your final congressional action.

Senator, from previous witnesses, I heard today three or four comments which seemed to ring true in all cases, although they were coming from different perspectives, and in summary, I would like to outline these; perhaps it will give us some basis for discussion.

First, there seems to be no disagreement that in contrast to bonus programs and other programs for attracting and retaining, that a GI bill would cost more. This does not seem to be an issue of contention. Primarily because bonus programs offer the ability to vary bonus amounts, to limit the people they are applied to, and other management flexibilities, it can be done cheaper.

The second point I kept hearing is that there is likely to be a turndown in the recent recruiting and retention successes. But we do not know to what degree. There are five or six factors that impact on this, some of which are fact and predictable, such as the demographic changes that we know will be taking place. Others are far less certain, such as the expected growth in the size of the Armed Forces, the needs of the service for a higher proportion of high-quality people, the impact on the economy, and the question of whether pay and allowances will keep pace with the civilian economy. These factors really all say that, although we generally expect there's going to be a turndown, we don't know at this point how serious a problem this is going to be.

The third thing I heard, and I heard you say this and perhaps more emphatically than others, is that there are a lot of uncertainties about the cost, the benefits, and the effectiveness of the GI bill. I heard you talk specifically about some of the cost savings that might occur in reduced training time, in overall greater effectiveness of people attracted by a GI bill, as well as the impact on the national economy of people trained under such a program.

I also heard claims of success for the GI college fund and in fact it has been successful, but this reminds me of the report that was done on the test of the various GI bill options. The report pointed out that, although the college fund had been successful, it was so because it was the only program offering substantially more benefits than the other education programs. Thus, if there was a consistently high level of benefits being offered, those skills within the Army where they desperately need people would be shortchanged. People would opt to go into other skills, and if there were reasonably equal benefits between the services, more people would opt to go into the Navy and Air Force than the Army. All this says to me that no matter where your level of consistency would be in benefit levels, you would have great need to provide additional benefits

primarily to the Army and primarily to those skill areas where they have hard recruiting prospects.

And in that context, Senator Armstrong mentioned a fact we also overlooked. This is a couple of years ago we realized the basic VEAP program was not working very well, primarily because those people that might be attracted by it were able to get equal or greater benefits without serving in the military forces. As our friend Charlie Moskos keeps saying, we have a GI bill without the GI. In other words, until you look at the whole universe of educational benefits and their relationship to each other, and you assess in a buyers' market where it is that you want to place your emphasis, you haven't done justice to using educational benefits as the most cost-effective way of meeting your recruiting goals.

That summarizes, Senator, what I heard today. We are against this particular bill because we don't think that it is a cost-effective way of recruiting and retaining. Further, we don't think that now is the time that you can say what will be needed in the late 1980's. On the other hand, now is the time to very seriously and in much greater depth than's been done in the past, study and evaluate these proposals and this concern, so that we know what needs to be done when these problems occur.

Senator MATSUNAGA. Thank you, Dr. Coffey. Generally, I agree with the GAO's good reports and recommendations. But somehow it appears in this case you may have overlooked some of the objectives we are seeking with the GI bill.

Principally, high quality personnel retention and high quality personnel recruitment. And you heard the testimony of General Thurman, that more than any other thing, the college bound or the college oriented high school grad is attracted to the services more by educational benefits than by money or cash bonuses. I wish you would take that into account, if our objective is served by what we are proposing, then we ought to proceed with the proposal.

And second, I don't know whether you did take into account the matter of investment, investment in the future of our country. And I think, as was earlier expressed by Senator Armstrong, and myself, that the benefits of the GI bill have been immeasurable to our country, not only to the security of our country but by elevating the quality of life in our country.

And so, did you take these matters into consideration in preparation of your statement today?

Dr. COFFEY. Not thoroughly, Senator. Nor has anyone. And that's why we see such great merit in Senator Simpson's bill. Now's the time really to seriously and thoroughly look at these things. They're all very valid concerns and very valid points, but there are no clear answers.

There has been perhaps a myth, perhaps a reality, that the college bound individual is not entering the service and would bring some added qualities to the service that we're not now finding. There is a distinction between quality in the context of what the services need to man their systems, and, from among those people with those characteristics, those who are college oriented and those who are not.

There is not necessarily a direct linkage which says only those people who want to go to college and are looking for scholarship assistance are qualified and can do the job.

I don't know the answer to this but I think the future prospects are such that we really need to thoroughly look at these questions. I can't disagree with anything you said. I would submit, however, that we don't know the answers.

Senator MATSUNAGA. Well, in part I think, by the testimony given by General Thurman, we have some answers. And I would strongly suggest that since you had not taken into serious consideration or studied deeply the issues which I raised, that you might take a look at the studies on which General Thurman's testimony was based.

Dr. COFFEY. We shall sir.

Senator MATSUNAGA. And I thank you, once again, for sharing with us your views.

[The prepared statement of Dr. Kenneth J. Coffey, Associate Director (Manpower, Reserve Affairs and Logistics), National Security and International Affairs Division, General Accounting Office and the GAO's response to written questions submitted by Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs follow:]

34-268 0 - 85 - 11

PREPARED STATEMENT OF DR. KENNETH J. COFFEY, ASSOCIATE DIRECTOR (MANPOWER, RESERVE AFFAIRS AND LOGISTICS), NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, GENERAL ACCOUNTING OFFICE

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to appear before you again today to discuss whether a peacetime GI Bill can overcome future recruitment and retention problems in the most cost-effective manner. Specifically, you asked for our general assessment of two bills pending before this committee: S. 1747, a proposal to essentially put in place now a new peacetime educational assistance program which would automatically become effective on October 1, 1987, but also could be implemented earlier if the President determined that certain conditions had been met and reported those conditions to the specified committees, and S. 1873, a bill which would require the President to report on or before July 1, 1987, on the need for a peacetime GI Bill to assist in recruiting and retention.

THE PROBLEMS--ATTRACTING HIGH-QUALITY RECRUITS AND KEEPING SKILLED CAREERISTS

What future recruiting and retention problems are the services likely to face that could be addressed and corrected efficiently by a new peacetime GI Bill?

As we discussed with you in March of last year:

1. The recruiting problem has not been and is not likely to be an across-the-board problem, but instead it is likely to continue to be one of attracting a sufficient number of high-quality men to serve in combat occupations or with the aptitude needed for certain highly technical jobs, particularly in the Army.
2. Likewise, retention has not been an across-the-board problem. Instead, it has been and is likely to be one of keeping the right number and quality of people with the right mix of occupational skills and experience--a problem which has varied from service-to-service, grade-to-grade, and occupation-to-occupation. Generally, the problems are (1) shortages in technical skill areas where there is a heavy demand in the civilian economy, (2) shortages in occupational areas which are not especially marketable but which are not attractive to service members--combat occupations and boiler technicians, for example--and (3) surpluses in some easy-to-fill jobs, the sum of which results in an inefficient manpower mix.

In the future, the severity of these problems will be influenced by many factors, such as an increase or decrease in the unemployment rate, the relative size of the enlistment age youth population--which is projected to decline by about 17 percent by the early 1990s--and changes in the needs of the services for high-quality personnel. However, in the future as in the past, the specific manpower staffing problems will be very dynamic and fluid. A problem today may not be a problem next year. A solution thought to be reasonable today may not be reasonable in the future.

IS S. 1747 NEEDED TO ADDRESS FUTURE RECRUITING AND RETENTION PROBLEMS?

With the ever-changing manpower supply and environment, the question is whether a generally inflexible incentive device, such as a GI Bill, would address future recruiting and retention problems in a cost-effective and efficient manner.

As we discussed with you in March of last year, a cost-effective recruiting or retention incentive should give Defense managers authority to apply or remove the incentive on a timely basis as the high-quality recruit problem increases or decreases. Defense managers should have the authority to target the incentive to the specific problem area--for example, to a particular service or an occupational skill level within a service. And, Defense managers should be able to readily adjust the incentive to meet changing conditions.

Upon examination, we find that while S. 1747 offers more managerial flexibility than some other GI Bill proposals, it is still relatively inflexible. For example, while S. 1747 precludes those without a high school diploma or equivalent certificate from receiving basic educational benefits of up to $10,800, it would allow no flexibility in providing this basic benefit to others who serve a minimum of 3 years.

On the plus side, however, S. 1747 would offer some managerial flexibility in the areas of supplemental educational benefits--up to an additional $10,800 for 3 more years of service--and an additional "recruitment and retention" benefit of up to $10,800. Further, and in contrast to most other GI Bill proposals, S. 1747 would allow Defense managers to decide whether to use these supplemental and additional recruiting and retention benefits options and, to some extent, decide on the amounts of additional benefits that would be paid. Nonetheless, these provisions would still offer less flexibility than the current selective bonus programs which can vary the amounts of added benefits between occupational groups, skill levels or services, and adjust them periodically.

Aside from questions about managerial flexibility and critical skill targeting, would the proposed basic educational assistance program be cost-effective?

The evidence indicates that, dollar-for-dollar, the money spent for educational benefits, such as those proposed in S. 1747, would not be as efficiently spent as would a cash

incentive directed to critical shortage areas. Estimates made by the Congressional Budget Office (CBO), the Center for Naval Analysis, and others for similar GI Bill proposals indicate that it would cost some four to five times more to attract each additional high quality recruit with an educational benefit than with other more targeted incentives. For example, an analysis of a proposal similar to this one indicated that it would cost about $200,000 to attract each additional high quality recruit using educational benefits, whereas using selective enlistment bonuses would cost about $35,000 per additional high quality recruit.

This higher cost per additional high-quality recruit comes about for two reasons. First, because of its relative inflexibility as compared to bonuses, the educational assistance recruitment incentive would be paid to many people who would not need it to join the service. If, for instance, the basic educational benefit increased the supply of high quality recruits by 5 percent, for every additional high quality recruit, the benefits would have to be paid to 20 others who would have enlisted without it. While a bonus would be paid to some who would join the service without it, the extent of such payments would be considerably less because of the ability service managers have to target bonuses to hard-to-fill occupations. Second, most people have a preference for money now over a promise of money in the future. One would not expect, for example, that a potential recruit would find as attractive a

promise of future educational benefit payments as he would cash-in-hand now.

Most educational benefit programs have also been challenged because their "leave to use" requirement would negatively impact on retention of career personnel. To counter this "leave to use" problem, S. 1747 contains a provision for personnel to use their educational assistance benefits while still in the service and for up to 10 years after their discharge from active duty. Also, the supplemental assistance feature, if the services decide to use it, would encourage first-termers to extend or reenlist for an additional 3 years to gain the additional educational benefits. This extended service would be desirable in most cases, but $10,800 in additional educational benefits may not be the most cost-effective way of achieving such additional service as compared to the use of selective bonuses.

Also to counter pressure to leave, S. 1747 proposes a new "Career Members' Contributory Educational Assistance Program," which provides up to $18,000--$6,000 contributed by the member and $12,000 by the service--to help retain highly qualified people. This program would be quite similar to the current basic Veterans' Educational Assistance Program (VEAP), except for a 10 years-of-service enrollment restriction and a provision allowing transfer of benefits to a member's spouse or child. Studies by both the Department of Defense (DOD) and CBO strongly suggest that the basic VEAP alone, without the so-called "kickers" which add up to $8,000 for 2-year enlistments and

$12,000 for 3 or 4 year enlistments in certain critical shortage occupations in the Army, has had little effect on high-quality recruiting or retention. More importantly, however, the services' reenlistment statistics show that retention problems usually occur prior to the 10th year of service, generally at the first or second reenlistment point.

Also, although benefits which would be earned under this proposed provision would be transferable to the person's spouse or child, the proposal as written would seem to preclude most spouses from using it because of the prohibition against payment of any transferred benefits to persons age 29 or older and the necessity for the service person to have served more than 10 years before benefits would be available.

OTHER CONCERNS WITH S. 1747

S. 1747 also contains other provisions which we believe merit discussion. The first of these is section 4 which contains a provision to allow any eligible member, enlisted or officer, 2 years off with basic pay--but without housing and food allowances--to attend school. Encouraging individuals to further their education, and making provision for them to do so by using their earned educational benefits while still in the Armed Forces, is a laudable goal; however, cost and manpower implications of this provision raise several concerns.

--The provision as written places no limitation on the number or percentage of military members who may be on educational leave of absence at any one time. If, for

example, the number of career people on educational leave was as large as 2 percent, as many as 20,000 soldiers, sailors, and airmen would not be available for duty; a fact which could adversely impact on readiness or prompt service requests for end-strength increases.

--The educational leave provision could be quite lucrative for some individual members and costly to the government, but the return on this investment in terms of added service time or increased productivity could be minimal. For example, an E-6 with 13 years of service--an individual at the peak of productivity--could be granted 2 years of educational leave to pursue a course of study unrelated to his military job. Under current pay rates, the member would receive about $29,000 in basic pay--in addition to up to $30,000 in educational benefits. However, retaining people with 10 or more years of service has not been a serious problem, and it is very unlikely that obtaining a commitment for added service by granting leave to people in this category would be worth the price.

--While the provision requiring 2 years of service for every year at school could influence the retention of those in the early years of their careers--for example, those with less than 10 years of service--it would preclude use by about-to-retire personnel--a viable transition program used elsewhere.

Another concern has to do with the implementation procedures proposed in S. 1747. In contrast to other proposals, which required the President to recommend that they become effective only after weighing other alternatives, S. 1747 would become effective automatically on October 1, 1987, without a prior determination that educational benefits are needed to improve recruiting or retention or that such benefits are the most cost-effective means of meeting service manpower needs. Such a provision would strengthen S. 1747.

A third concern has to do with whether a GI Bill should be funded on a pay-as-you-go or accrual basis. As currently proposed in S. 1747, the full cost of educational benefits would not appear in any budgets until personnel began to receive their benefits. Under such a pay-as-you-go concept, it would be at least 3 years after the actual obligations were incurred that costs would become visible in the budget. Consequently, the temptation would exist to disregard the cost implications of approving GI Bill provisions or policy changes. In contrast, funding on an accrual basis would explicitly recognize in current budgets the liability being incurred for future expenditures. The problem of not recognizing the future military retirement costs of today's manpower decisions was recently corrected with the enactment in September of the fiscal year 1984 DOD Authorization Act. Under this act, beginning in fiscal year 1985, a retirement trust fund will be established, and payments will be made to the fund as benefits are earned. A

similar accrual accounting requirement in S. 1747 or any other GI Bill authorization would improve the financial management of such programs by assuring that the future cost consequences of today's decisions are recognized in current budgets. Such a provision would also encourage Defense managers to make more accurate tradeoff analyses and determinations of cost-effectiveness.

Our last concern has to do with periodic reporting requirements. As with most GI Bill proposals, S. 1747 contains a requirement for the Secretary of Defense to periodically report on the continuing need for educational benefits as a recruiting and retention incentive and whether the amounts paid are still appropriate. However, in contrast to other proposals which require an annual assessment of alternative recruitment and retention incentives taking into account recruiting and retention performance by each branch of service, by occupational specialty, and by qualification category, S. 1747 would simply require information on the overall continued need for educational benefits to maintain adequate levels of well-qualified personnel. A more explicit statement of reporting criteria would strengthen the oversight of any future GI Bill.

On the positive side, as compared with some other proposals, since the primary purpose of a peacetime GI Bill is to recruit and retain people, S. 1747 rightfully would require that the cost be contained in the Defense budget. This would encourage Defense managers to make tradeoffs between educational

assistance and other available incentive options and help them to choose the incentive which would be most cost-effective.

OBSERVATIONS ON S. 1873

The second proposed bill being considered today--S. 1873--is far less complex than the proposals in S. 1747. Its primary advantage over S. 1747 is that it would require the Defense Department to make an evaluation of the most cost-effective structure for an educational assistance program and whether other incentives would be more cost-effective in manning the modern military. It would also allow adequate time for Defense to thoroughly examine the alternatives, although the evaluation would be strengthened by expanding the scope of the years studied and requiring and allowing sufficient time for an independent assessment of the Defense evaluation before final congressional action. The only real disadvantage of S. 1873--as we see it--is that it would not require Defense to make a continuing reassessment of the decision.

SUMMARY

In summary, Mr. Chairman, I would like to repeat a response to a question you posed when we appeared before you last March. At that time you asked whether GAO would advocate abandonment of educational assistance programs as recruitment and retention tools for the Armed Forces.

As I stated then, we have no particular bias for or against a GI Bill or any other recruitment and retention incentive device. Instead, it is our view that, whatever incentive or mix

of incentives are used, the specific manpower problems and needs must first be identified, the solution to the problem should be applied only to the problem and not to areas where problems do not exist, and finally, the incentive selected should be the most cost-effective and efficient one available. In this context, we are concerned that a GI Bill, such as S. 1747, which contains basic benefits for nearly every service member, does not address specifically identified manpower problems and does not allow for the flexibility needed to man the Armed Forces in a cost-effective manner.

In contrast, we believe that S. 1873, slightly modified, could provide a vehicle for assuring that the Armed Forces in the late 1980s and beyond authorize only those appropriate and cost-effective programs which are needed to sustain desired force quality, skills, and manning levels.

Mr. Chairman, this concludes my formal statement. We would be happy to respond to any questions you may have.

RESPONSE OF THE GENERAL ACCOUNTING OFFICE TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. Please evaluate for us the current resources available to the Department of Defense to assist them in addressing recruitment and retention shortfalls, and give us your assessment of their present ability to address those shortfalls.

Answer 1. Mr. Chairman, let me respond to your questions in two ways; first in terms of the services' abilities to achieve their overall recruiting and retention objectives, both from a quantity and quality standpoint, and second in terms of how the services are addressing their skill imbalance problems where there are shortfalls in some occupations and overages in others.

Do the services have adequate resources to acheive their overall recruiting and retention objectives? I believe that one need look no further than the individual services recruiting and retention statistics for the past three fiscal years to say that, yes the Congress is now providing the services with sufficient money to enable them to acheive their overall recruiting and retention goals. The Army, for example, which historically had experienced the most difficulty recruiting and retaining quality people, achieved an all-time record high in terms of quality recruits in the latest fiscal year--86 percent of new male recruits were high school graduates, up from 49 percent high school graduates as recently as fiscal year 1980. Indeed, in terms of all the standard measures of quality--high school diploma graduate and mental category--the Army did better in 1983 than during the draft-era. Similarly, reenlistment

rates for all services have been near record high levels for the past couple of years.

So, I think that as of now, the services have adequate resources to address their overall recruiting and retention needs. But, given the improvements we are seeing in the economy and the expected continued decline in unemployment rates the question is, will the services be able to maintain these record high rates of enlistments and reenlistments without substantial increases in resources? Projections indicate that for the next several years, assuming pay raises equal to those in the private sector, the services will continue to meet their numerical recruiting goals, and, while quality may slip somewhat from the high 1983 and expected 1984 levels, it will still exceed the minimum quality standards set by the Congress. Retention, however, may pose problems in the mid-to late-1980s. This is when the high quality--and thus highly marketable--people recruited during the past couple of years will complete their initial tours of enlistment. If unemployment rates continue to decline as expected, the private sector could become very attractive to these individuals. This is a situation the services should closely monitor so that early remedial actions can be taken.

While in aggregate all the services seem to be doing quite well in recruiting and retention, both numerically and qualitatively, it is true that the services are still experiencing shortfalls in some skill areas. For example, the Army still reports serious shortfalls in several combat and intelligence

occupational specialties, but at the same time it reports overages in occupations such as administration, supply, finance, and several other categories. The shortfalls are not, however, primarily the result of inadequate current resources, but are instead the result of personnel management practices within the services. For instance, we just completed a look at what the Army has been doing during the past couple of years to rectify skill imbalances, particularly in light of the highly favorable recruiting and retention environment. What we found was that while the Army had put into place a program--known as its Force Alignment Plan--to deal with occupational overages and shortfalls, its reenlistment practices impeded progress toward reducing imbalances. For instance, we noted that during fiscal years 1981 and 1982 the Army was still allowing first-term soldiers to reenlist in their present occupational specialty even though the specialty may have been overstrength, a practice that has prevented the Army from achieving a balanced force. Although the Army has a formal policy option to restrict first-term reenlistments, it had not chosen to implement it. Thus, little progress had been made toward reducing skill shortfalls and eliminating overages. As you can see, this was a management philosophy issue, and not necessarily a problem of insufficient resources to deal with the skill shortfall problem. Incidently, we observed that the Air Force program to control reenlistments and solve its skill imbalances was considerably more effective.

Question 2. In your view, might the recent recruitment successes which the Army has enjoyed through the use of Ultra-VEAP been achieved through less costly incentives?

Answer 2. Without performing a complete and thorough cost-effectiveness tradeoff analysis of each alternative incentive program available to the Army, I would hesitate to give you a definitive absolute answer. However, with that qualification, I would say that the studies, test programs, and evaluation which have been done by organizations such as Rand, CBO, the Center for Naval Analysis, ourselves, and the services, would seem to indicate that the same recruiting successes could have been achieved at less cost through the greater use of cash enlistment bonuses. First, the studies show that basic VEAP, without the "Army College Fund" kicker, has almost no affect on recruiting; that is, by itself basic VEAP attracts practically no additional recruits who would not have enlisted without it. The "steady state" cost of basic VEAP for all service is estimated at about $100 million annually, an expenditure for which there is very little return in terms of additional high quality recruits, although there may be other purposes served which make this modest investment a good one. The supplemental benefits, i.e., the Army College Fund, will add about $90 million annually in the "steady state," but to compare the cost-effectiveness of Ultra-VEAP with other incentives, one must consider the cost of both components of the VEAP program. Using this kind of comparison, CBO has estimated that cash enlistment bonuses cost about $40,000 to attract one additional high quality recruit

34-268 0 - 85 - 12

into the Army--an individual who would not have enlisted without the incentive--whereas Ultra-VEAP costs about $65,000 per additional recruit. This, by the way, is considerably less than the estimated $185,000 per additional high quality recruit which the proposed across-the-board GI Bill would cost. CNA's estimates of bonus versus educational benefit cost-effectiveness have produced similar results.

Critics of these cost-effectiveness estimates of course contend that they are based on theoretical models with insufficient empirical data, and that in actual practice, things may work quite differently. The critics seem to be right to an extent, as was borne out by the Educational Assistance Test Program run by the services during fiscal year 1981. In contrast to the CBO estimate, derived from a theoretical model, that high quality enlistments would increase by 2 to 6 percent with Ultra-VEAP, the test results indicated an increase of about 9 percent. Nonetheless, while the test program was not designed to measure the cost-effectiveness of educational benefits versus bonuses--a test GAO recommended be done--data collected during the test did indicate that high quality recruits who applied for Ultra-VEAP would have responded more favorably to bonuses than educational benefits. This is important because the argument is often made that educational benefits appeal uniquely to capable high school graduates, whereas cash bonuses tend to draw individuals of lower ability and quality. The data collected during the test program, while not conclusive, do not support this thesis.

Question 3. Do you believe that in analyzing the costs of educational assistance programs such as S. 1747, it is possible to project the amount of revenues which will return to the federal government as a result of higher earnings of those educated?

Answer 3. Yes, Mr. Chairman, I believe that not only is such an analysis within the realm of possibility, I would urge that before this committee reports a new peacetime GI Bill to the Senate floor, whether it be S. 1747 or some other proposal, that you commission such a study. It is widely accepted, and no doubt true, that the GI Bills of the past, particularly the World War II and Korean War GI Bills, were a very wise investment. I believe that few would question the fact that these educational benefit programs contributed heavily to moving this Nation to the highest standard of living in the world within a few short years, and that the revenues returned to the Treasury as a direct and indirect result of these programs far exceeded their cost. Senators Matsunaga and Armstrong have both emphasized this point.

However, I believe that when looking at today's society and how demographic and economic phenomena may evolve over the next several decades, there is some risk in simply assuming that because a GI Bill was a good investment during an earlier era when educated people were a scarce commodity, that a GI Bill would likewise be a good investment today. I would hasten to add that I am not implying for one moment that it would not be a good investment, I am simple saying that no one has analyzed

this question empirically, and we just do not know. Since it is generally acknowledged, even by GI Bill proponents, that as a recruiting incentive cash bonuses are more cost-effective than educational benefits, it seems to me that if a peacetime GI Bill is going to be justified, it would have to be on grounds that the long-term payback in terms of increased tax revenues, a higher quality of life, et cetera, would exceed the cost of the GI Bill benefits. The results of a rigorous analysis of this issue would surely help either the proponents or opponents of a GI Bill make more persuasive arguments for their case--depending on how the study turned out.

Senator MATSUNAGA. Our next witness will be Mr. Neil M. Singer, the Principal Analyst for National Security and International Affairs, Congressional Budget Office.

Mr. Singer, we are prepared to hear your song.

Mr. SINGER. Thank you, Senator, I will try to make it short.

TESTIMONY OF NEIL M. SINGER, PRINCIPAL ANALYST FOR NATIONAL SECURITY AND INTERNATIONAL AFFAIRS, CONGRESSIONAL BUDGET OFFICE

Mr. SINGER. It is a privilege to be with this committee today. It is always a pleasure. My testimony today will concern the status of military recruiting and the need to improve military educational benefits. I will skim through my prepared testimony and ask that the full text be inserted in the record.

It is easy for me to skim over it, because most of the points that I have made have been cited by yourself or by Senator Simpson in your opening remarks or by the other witnesses.

So I am happy to associate myself with almost all of the things that have been said here this morning. And I will briefly summarize a few points that perhaps might enlarge upon ones that have been made.

Military educational benefits in the past have served a variety of purposes, including increasing society's educational level and helping military personnel readjust to civilian life, as you have mentioned. Recent proposals for improved benefits, however, have stressed the role in the recruiting and retention of military personnel. My testimony today will focus on that role.

Recruiting success is often measured by the percentages of recruits holding high school diplomas and scoring high on the entrance examinations given to all recruits. These measures show that recruiting is currently at or near historical highs in all services. Each of the services is easily meeting congressional requirements for no more than 20 percent of its recruits scoring the lowest acceptable category—category IV—on the entrance examination.

At the same time, the Army, which traditionally has the most difficult recruiting problem, has increased its percentage of male high school graduates recruits to 88 percent in 1983—compared to 49 percent in 1980. The Army's recent recruiting success is not only the best since the All-Volunteer Force began; it is far better than the Army had experienced during the draft era, when approximately 70 percent of its recruits were high school graduates, and it is well above the 65 percent required by law.

CBO expects that, over the next few years, the military services should still be able to continue meeting numerical goals for recruits without breaching the minimum quality requirements set by the Congress.

Of course, we cannot rule out the possibility that recruiting problems might develop. If the economy recovers at a more rapid rate than CBO forecasts, Army and Navy recruiting might fail to meet the congressional minimums later in this decade, as you pointed out earlier this morning. And there are of course, a number of reasons that might contribute to that failure. Though there is little apparent need at this time for legislation providing additional recruiting incentives, the Congress may wish to signal its continuing concern about recruiting and to insure that it receives early notification.

Senator Simpson's recent bill, S. 1873, would mandate enactment of a new educational assistance program quickly enough to forestall any harm to military recruiting, in CBO's view. Let me summarize for a moment the existing state of educational assistance programs, beginning with existing VEAP.

The existing package of military pay and benefits, which includes the Veterans' Educational Assistance Program, has been widely criticized as an ineffective recruiting tool. This appears to be true for basic VEAP. But in recent years, VEAP has been improved in ways that make it more effective, especially for the Army, as General Thurman has testified. The older, basic VEAP appears to have little effect on either recruiting or retention. This is a point made earlier by Secretary Korb—a point with which CBO certainly agrees. CBO estimates that basic VEAP improved high quality recruiting by perhaps as much as 0.2—that is, two-tenths of 1 percent—and it hurt retention by equally modest amounts. The addition of extra funds, called kickers, to VEAP however, dramatically improve its effectiveness as a recruiting incentive. CBO estimates that the VEAP kickers available under the Army College Fund, improve recruiting in hard-to-fill skills, such as combat arms, by 3 percent. And this finding appears to be consistent with the Army's success, in 1982 and 1983, in attracting higher percentages of high scoring high school graduates to serve in combat arms specialties.

In sum, the Army College Fund appears to be an effective program that has improved recruiting in hard to fill arms skills. Modifications in basic VEAP that this committee has discussed previously, could produce further improvements in recruiting. But any new program that replaces VEAP and the Army College Fund must be judged with this past success in mind.

Mr. Chairman, let me turn now to S. 1747, the Peacetime Veterans' Educational Assistance Act, which would supersede the Army

College Fund and basic VEAP. In place of these programs, S. 1747 would establish a new and largely noncontributory educational benefits program. The summary of the bill's provisions is included in my prepared testimony, so I won't go through that this morning. I will just mention CBO's estimate that S. 1747 would improve Army recruiting, assuming implementation of the program in 1987. The number of high quality recruits would increase in the next year by a net of about 1,000; that figure includes an offset for the loss of 1,500 high quality Army recruits that would result from termination of the Army College Fund.

Supporters of this bill also hope that educational benefits would attract large numbers of college-bound youth into the military. I have seen General Thurman's survey results before, and they are interesting, although I do not know that they speak directly to the need for a new program, rather than for continuation of the Army College Fund. But I would note that our data do not permit estimates of how many college-bound persons might join under S. 1747.

Survey data do suggest that most high school seniors who say that they are bound for college actually do begin school within a year of graduation. It may be difficult, therefore, to divert college-bound youth into the military and especially into combat arms skills. While improving recruiting, S. 1747 would also add to costs.

Outlays by the Government would remain low until the newly eligible members had time to complete service and begin to use their entitlements. The total outlays under S. 1747, net of the savings from terminating VEAP, would eventually reach about half a billion dollars annually, measured in today's dollars. This means that, for every added high quality recruit who entered the military, the Government would spend nearly $200,000. The Government's cost per recruit would be high, because many recruits would receive benefits even though they were going to enlist anyway, and because educational benefits cause people to leave in order to use their benefits. These costs per recruit for S. 1747 would be well above the levels required to attract an extra high quality recruit into the Army, using more recruiters or higher cash enlistment bonuses. CBO's estimates on those numbers were presented earlier in Senator Simpson's opening remarks.

The Peacetime Veterans' Educational Assistance Act, like all broad-based benefits, might also fail to focus added incentives where they are most needed. For example, under the two-tier provision, which offers more benefits in return for longer service, the Air Force and Navy, which have longer minimum terms of service, would benefit more than would the Army and the Marine Corps, even though the latter two services historically have had greater recruiting problems.

Combat arms skills with short tours would be less attractive than long-tour skills, in which there are no current shortages. An extensive use of the authorization for kickers, provided in the act, could overcome some of these adverse incentives, but it would tend to drive up overall costs.

One last point: If the Congress enacts S. 1747, CBO recommends strongly that the Congress consider requiring accrual funding. Under the funding approach in the bill, full costs would not appear for many years, until members completed service and used their

benefits. Accrual funding assures that the cost of future liabilities appear immediately in the defense budget, as is currently the case for the military retirement program. CBO believes that accrual funding would help insure that costs are properly considered in any decision to implement a new program of educational benefits.

In sum, Mr. Chairman, the military recruiting appears likely to exceed congressionally established minimums in the next few years, even without added recruiting incentives. The educational benefits program now in place appears to be effective for the Army, which most needs the help. In later years, of course, recruiting problems could develop, and if the Congress decided to meet them with improved educational benefits, it should be aware that broad-based benefits, such as those in the Peacetime Veterans' Educational Assistance Act, while they may attract some college-bound youth into military, are an expensive way to improve overall recruiting and generally do not focus benefits where the need is greatest.

That concludes my prepared statement. I will be happy to answer questions.

Senator MATSUNAGA. Mr. Singer, in your testimony you say that the survey data suggests that most high school seniors who say that they are bound for college, actually begin within a year, after school.

And you conclude on that basis that it maybe difficult to divert college-bound youth into the military. As I am sure that you know, the All-Volunteer Force, which incidentally I was the co-author of back in 1972, with Congressman Bill Steiger of Wisconsin, now deceased, and I am proud that I have been referred to as one of the two fathers of that All-Volunteer Force and now, existed for about 3 years with the GI bill in effect.

Did you in your collecting of or considering the data that may exist from that period concerning the behavior of the college-bound youth and the effect that the GI bill had on them? Did you consider the data?

Mr. SINGER. Senator, I do not know that we have data on college-bound youths' behavior during the first 3 years of the All-Volunteer Force. I will be happy to look and if possible, to supply whatever information we have for the record. I do not have any information of that sort at my command right now.

[Subsequently, the Congressional Budget Office submitted the following information:]

CBO has been unable to find any data on the behavior of "college-bound" youth during the period 1973-1976. We have, however, compiled some data on the characteristics of recruits during that period and during the most recent three years (1981-1983). These data are summarized in the following tables. In brief, the data show that as a percentage of all accessions, all services are recruiting larger percentages of high-scoring youth now than was the case when the G.I. Bill was available. This conclusion holds whether the focus is on high school graduates or on those with some college, and whether the target group is those in Category I, Category II, or Category IIIA. While isolated anomalies can be found (e.g., the Air Force's recruiting of Category I high school graduates in 1976 or the Navy's recruiting of Category II graduates with some college), in general every service is having greater recruiting success now than during the 1973-1976 period and in the case of many comparisons the current period is much more successful.

Because of differences between these two periods in terms of pay comparability, unemployment rates, recruiting resources, and intangible factors, these comparisons cannot be taken to show unequivocally that termination of the G.I. Bill had no effect on the services' ability to recruit high-scoring youth. The comparisons do suggest, however, that the services have maintained their ability to attract many such recruits despite loss of the G.I. Bill.

HIGH SCHOOL DIPLOMA GRADUATES IN CATEGORY I

	1973	1974	1975	1976	1981	1982	1983
Army							
High School Only	3,017	1,808	2,296	2,404	1,380	1,688	2,120
% of All Accessions	1.5	1.1	1.4	1.5	1.4	1.6	1.8
Some College	3,182	936	1,431	1,446	763	1,219	1,680
% of All Accessions	1.6	0.6	0.9	0.9	0.8	1.2	1.5
Navy							
High School Only	2,174	1,324	1,771	2,156	1,911	1,754	1,881
% of All Accessions	2.5	1.6	2.0	2.5	2.4	2.6	3.0
Some College	1,124	560	922	1,100	687	591	758
% ofAll Accessions	1.3	0.7	1.0	1.3	0.9	0.9	1.2
Marines							
High School Only	507	591	695	814	660	506	527
% of All Accessions	1.1	1.3	1.2	1.6	1.8	1.5	1.6
Some College	191	125	167	224	148	132	204
% of All Accessions	0.4	0.3	0.3	0.4	0.4	0.4	0.6
Air Force							
High School Only	3,040	1,985	1,724	2,242	1,677	1,244	1,362
% of All Accessions	3.5	3.0	2.7	3.6	2.5	2.1	2.6
Some College	1,240	608	459	652	532	616	857
% of All Accessions	1.4	0.9	0.7	1.0	0.8	1.0	1.7

SOURCE: Congressional Budget Office.

HIGH SCHOOL DIPLOMA GRADUATES IN CATEGORY II

	1973	1974	1975	1976	1981	1982	1983
Army							
High School Only	27,858	20,283	23,644	21,384	15,451	20,974	26,130
% of All Accesssions	14.3	12.3	14.6	13.1	15.7	20.3	22.6
Some College	13,073	3,085	4,537	4,295	2,534	3,932	5,286
% of All Accessions	6.7	1.9	2.8	2.6	2.6	3.8	4.6
Navy							
High School Only	20,746	20,575	23,294	21,523	18,958	17,848	19,937
% of All Accessions	23.4	24.7	25.7	24.9	23.7	26.1	31.4
Some College	4,327	3,212	3,953	3,921	2,275	2,328	2,775
% of All Accessions	4.9	3.9	4.4	4.5	2.8	3.4	4.4
Marines							
High School Only	5,340	6,128	8,735	9,345	8,237	8,300	9,077
% of All Accessions	11.1	13.8	15.7	18.6	21.9	24.4	27.0
Some College	972	581	612	781	624	708	902
% of All Accessions	2.0	1.3	1.1	1.6	1.7	2.1	2.7
Air Force							
High School Only	24,116	18,196	19,932	21,647	19,633	18,521	17,665
% of All Accessions	27.7	27.9	31.1	34.4	29.6	31.4	34.5
Some College	3,724	1,847	1,592	2,261	2,249	2,695	3,783
% of All Accessions	4.3	2.8	2.5	3.6	3.4	4.6	7.4

SOURCE: Congressional Budget Office.

HIGH SCHOOL DIPLOMA GRADUATES IN CATEGORY IIIA

	1973	1974	1975	1976	1981	1982	1983
Army							
High School Only	20,932	15,721	18,750	16,829	10,731	13,952	18,411
% of All Accessions	10.8	9.5	11.6	10.3	10.9	13.5	15.9
Some College	5,134	1,029	1,460	1,389	672	1,011	1,360
% of All Accessions	2.6	0.6	0.9	0.9	0.7	1.0	1.2
Navy							
High School Only	12,568	12,575	15,660	15,083	10,874	9,734	11,187
% of All Accessions	14.2	15.1	17.3	17.5	13.6	14.2	17.6
Some College	1,414	812	1,104	1,335	561	598	732
% of All Accessions	1.6	1.0	1.2	1.5	0.7	0.9	1.2
Marines							
High School Only	4,251	4,901	6,892	7,360	6,054	5,999	6,704
% of All Accessions	8.8	11.0	12.4	14.7	16.1	17.6	19.9
Some College	400	280	273	268	159	221	265
% of All Accessions	0.8	0.6	0.5	0.5	0.4	0.6	0.8
Air Force							
High School Only	16,303	14,092	16,185	16,026	12,817	11,698	11,464
% of All Accessions	18.7	21.6	25.3	25.5	19.3	19.9	22.4
Some College	1,306	629	564	737	693	861	1,135
% of All Accessions	1.5	1.0	0.9	1.2	1.0	1.5	2.2

SOURCE: Congressional Budget Office.

Senator MATSUNAGA. What is the data on which you based this conclusion, that they begin.

Mr. SINGER. Survey results?

Senator MATSUNAGA. Yes.

Mr. SINGER. I believe that it was the National Longitudinal Survey of the High School Class of 1972, a large-scale survey that is run by, I think, that it is either the University of Illinois, or Ohio State. Again, I will provide that information for the record, if I may.

Senator MATSUNAGA. Now, did that study go further into the question of whether or not with a GI bill incentive college-bound high school graduates were willing to spend an additional 2 years in order to get the educational benefits?

Mr. SINGER. I don't believe that that question was asked. I believe that the point of the survey data that I cite is simply that most high school students who say that they intend to go to college, actually do so within a year of graduation. What this implies is that the additional incentives offered by educational benefits for military service would not appear to have much impact on people's ability to go to college. Therefore, though there might be some diversion of college-bound people into the military, the argument that has been offered by some previous witnesses—that we are spending too much now to permit people to go on to college without any national service commitment—does not really seem to be borne out terribly well by these data.

[Subequently, the Congressional Budget Office submitted the following information:]

CBO's testimony on survey results is derived from the National Longitudinal Survey of the High School Class of 1972, which showed that more than 80 percent of males who planned to enter a 4-year college in the fall of 1972 actually did so. The National Longitudinal Survey is an activity funded by the Department of Labor, and the prime contractor is the Center for Human Resource Research of the Ohio State University. The National Opinion Research Center, University of Chicago, is the subcontractor for data collection.

The 1979 NLS cohort does not provide the same follow-up data to the intentions question as the 1972 cohort. However, analysis of the 1979 responses has been conducted by Chongsoo Kim of the Center for Human Resource Research, The Ohio State University ("The All-Volunteer Force: 1979 NLS Studies of Enlistment, Intentions to Service, and Intentions to Reenlist," July 1982). Kim concludes: "Individuals who desire to complete higher education obviously are more likely to attend college . . . The fact that post-service educational benefits are available for those who fulfilled their requirements in the military service . . . should not be construed as necessarily implying that the enlistees will participate in programs such as the Veterans Educational Assistance Program (VEAP) to qualify for the benefits . . . (P)articipation rates in such a program may be somewhat lower than anticipated because the net returns from investment in education are inversely related to age on both the supply and demand sides." (P. 31.)

Senator MATSUNAGA. Well I wish that I could continue exploring some of the conclusions reached and the basis of your conclusions, but I have another meeting to attend and will submit further questions in writing for the record.

Mr. SINGER. Thank you.

I will be happy to send over my replies.

Senator MATSUNAGA. And I thank you for your taking time to appear before the committee.

Mr. SINGER. Thank you, very much, Senator.

[The prepared statement of Neil M. Singer, principal analyst for National Security and International Affairs, Congressional Budget Office, and CBO's response to written questions submitted by Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs follow:]

PREPARED STATEMENT OF NEIL M. SINGER, PRINCIPAL ANALYST FOR NATIONAL SECURITY AND INTERNATIONAL AFFAIRS, CONGRESSIONAL BUDGET OFFICE

Mr. Chairman, I appreciate the opportunity to testify today on the status of military recruiting and the need to improve military educational benefits.

Military educational benefits in the past have served a variety of purposes, including increasing society's educational level and helping military personnel readjust to civilian life. Recent proposals for improved benefits, however, have stressed their role in the recruiting and retention of military personnel. My testimony today will focus on that role.

Military recruiting and retention are currently at historical highs and should continue for the next several years at levels above the minimums required by the Congress. Thus, for the next few years, there is little apparent need for new incentives--such as improved educational benefits--to meet military manpower needs.

Problems could develop, especially if military pay and benefits do not keep pace with increases in private-sector pay, if the military grows substantially in size, or if the economy recovers from the recession more rapidly than is forecast. If recruiting problems occur, and the Congress considers meeting them with improved educational benefits, it should keep in mind several findings.

- o "Targeted" programs such as the Army College Fund, which restrict eligibility for benefits to high-quality recruits who serve in hard-to-fill military occupations, can achieve moderate improvement in recruiting at relatively modest cost.

- o Broad-based improvements in educational benefits--which provide benefits to all personnel--would improve recruiting. But broad-based improvements like those in the proposed Peacetime Veterans' Educational Assistance Act (S. 1747) are an expensive way to improve recruiting and generally do not focus benefits where they are most needed.

- o Adding recruiters or increasing bonuses are generally less costly ways to increase the number of high-quality recruits than improving educational benefits.

CURRENT RECRUITING FORECAST

Recruiting success is often measured by the percentages of recruits holding high school diplomas and scoring high on the entrance examinations given to all recruits. These measures show that recruiting is currently at or near historical highs in all services. Each of the services is easily meeting the Congressional requirement that no more than 20 percent of its recruits

score in the lowest acceptable category (category IV) on the entrance examination. At the same time, the Army, which traditionally has the most difficult recruiting problem, increased its percentage of male high school graduate recruits to 88 percent in 1983 (compared to 49 percent in 1980). The Army's recent recruiting success is not only the best since the All-Volunteer Force began; it is far better than the Army's experience during the draft era, when approximately 70 percent of its recruits were high school graduates, and well above the minimum level of 65 percent required by law.

CBO expects that, over the next few years, the military services should still be able to continue meeting numerical goals for recruits without breaching the minimum quality requirements set by the Congress. This outlook assumes a 5.5 percent across-the-board pay raise in January 1985, as included in the Administration's budget, followed in later years by raises that keep pace with those in the private sector. Our findings are based on recent history and last year's projections. Once we receive detailed information from DoD about recruitment in 1983 and manpower requirements beyond 1985--information that has been delayed by data problems--we plan to update our earlier projections.

Of course, we cannot rule out the possibility that recruiting problems might develop. If the economy recovers at a more rapid rate than forecast

by CBO, Army and Navy recruiting might fail to meet the Congressional minimums later in this decade. Pay caps in 1985 or beyond could have a similar effect. Other factors that might harm recruiting include reductions in recruiting resources (advertising, enlistment bonuses, or recruiters), unexpectedly large increases in end strength, and limitations on growth in the size of the career force (which would effectively increase the requirements for recruits within a constant force size). Finally, the services--particularly the Army--might decide that they must keep recruit quality near today's highs rather than return to the minimum standards set by the Congress.

Though there is little apparent need at this time for legislation providing additional recruiting incentives, the Congress may wish to signal its continuing concern about recruiting and to ensure that it receive early notification of developing recruiting problems. Senator Simpson's recent bill, S. 1873, mandates that the President report to the Congress as soon as recruiting problems are identified but no later than July 1, 1987, and that he assess the need for new educational assistance programs to aid recruiting. In the event of a Presidential recommendation for a new program, the Congress would be required to take some action within 90 days. CBO's projection of military recruiting is consistent with the provisions of Senator Simpson's bill, which would mandate enactment of a new educational

34-268 0 - 85 - 13

assistance program quickly enough to forestall any harm to overall military recruiting.

VEAP AND POSSIBLE IMPROVEMENTS

Experience with Existing VEAP

Current recruiting success stems in part from the existing package of military pay and benefits, which includes the Veterans' Educational Assistance Program (VEAP). The basic version of VEAP has been widely criticized as an ineffective recruiting tool, which appears to be true. But in recent years VEAP has been improved in ways that make it more effective, especially for the Army.

The basic VEAP is a voluntary program. Service members who participate contribute between $25 and $100 a month of their pay into a fund; their contributions are matched two-for-one by the government. Maximum benefits are $8,100 if a member contributes $2,700. In recent years, those who enter hard-to-fill skills have been allowed to earn up to $12,000 in additional funds or "kickers." Thus, in return for contributing $2,700, some recruits can receive $20,100 toward school. The Army, currently the only service to offer VEAP with kickers, calls its program the Army College Fund.

The older, basic VEAP appears to have had little effect on either recruiting or retention. CBO estimates that it improved high-quality recruiting by 0 to 0.2 percent and hurt retention by equally modest amounts. ("High-quality" recruits are high school graduates who score in the upper half on the recruit entrance examination.)

The VEAP program obviously does not have as broad an appeal as did its GI Bill predecessor. Participation rates in basic VEAP have been rather stable since 1978 at about 30-35 percent. We anticipate, however, that only about 20 percent of service members will ultimately use VEAP benefits, compared to over 60 percent of eligible members who are estimated to have used at least a part of their GI Bill entitlement. While its effects are modest, there is no evidence to suggest that dissatisfaction with basic VEAP is increasing; for example, dropout rates from VEAP have been quite stable over the past three years.

The addition of extra funds or kickers to VEAP, however, dramatically improved its effectiveness as a recruiting incentive. CBO estimates that the VEAP kickers available under the Army College Fund improve recruiting in hard-to-fill skills such as combat arms by 3.0 percent. This finding appears to be consistent with the Army's success in 1982 and 1983 in attracting higher percentages of high-scoring high school graduates to serve in combat arms specialties.

Improving VEAP

If the Congress decided that improved educational benefits were needed to solve future recruiting problems, it could enact them by improving VEAP. CBO has previously testified on proposed improvements in VEAP, including increasing the matching ratio on members' contributions and paying interest on those contributions. Another improvement that the Committee might wish to consider is letting members receive in cash a portion of the government's matching contribution (perhaps including kickers) once a member completes a specified period of service such as ten years. This "cash-out" would reduce the incentive to leave the military in order to use one's benefits.

Based on previous analysis, CBO anticipates that such modifications in the basic VEAP would improve recruiting modestly at a cost of approximately $100,000 per high-quality recruit. Such a cost would be higher than using other recruiting incentives such as bonuses (about $35,000 per recruit) or recruiters (about $22,000), but only about half the cost of a broad, noncontributory educational assistance program such as the one discussed below.

In sum, the Army College Fund appears to be an effective program that has improved recruiting in hard-to-fill Army skills. Modifications in

basic VEAP could produce further improvements in recruiting. Any new program that replaces VEAP and the Army College Fund must be judged with this success in mind.

S. 1747: A BROAD-BASED EDUCATIONAL BENEFITS PROGRAM

Key Provisions

S. 1747, the Peacetime Veterans' Educational Assistance Act, would terminate the Army College Fund and basic VEAP. In place of these programs, the act would establish a new, largely noncontributory educational benefits program. Principal features of the proposed act would include:

- A basic educational entitlement of $10,800 after three years of active duty or two years' active duty followed by four years in the Selected Reserve;

- A supplemental entitlement of an additional $10,800 for those who complete a further three years of active duty in a designated critical skill;

- o Authorization for kickers of up to $10,800 for the initial three years and a further $10,800 for the second three years of active service in a critical skill;

- o A contributory program that would entitle members with ten or more years of active service to receive up to $18,000 in educational benefits for their dependents, in return for contributions of up to $6,000;

- o Authorization for leaves of absence to permit service members to pursue programs of education; and

- o Educational assistance for service in the Selected Reserve, limited to a basic entitlement of up to $7,200 in return for six years of continuous service (enlistment, reenlistment, or extension).

Eligibility would be restricted to members who were high school graduates or who had earned an equivalency certificate by the completion of qualifying service. Academy graduates or ROTC scholarship recipients would not be eligible for benefits.

S. 1747 would immediately terminate new enrollments in VEAP, including the Army College Fund. Eligibility for the new benefit program

would not begin until 1987 unless the President decided prior to that date that the new program was needed for military recruitment and retention. The act would also repeal the termination date for benefits under the Vietnam-era GI Bill, currently set for December 31, 1989.

Effects on Recruiting and Costs

CBO estimates that S. 1747 would improve Army recruiting. Assuming implementation of the program in 1987, the number of high-quality recruits would increase in 1988 by a net of 1,000, or about 1.5 percent more than the Army is currently recruiting. Thus, the new program would more than offset the estimated loss of 1,500 high-quality Army recruits per year owing to termination of the Army College Fund.

Supporters also hope that educational benefits will attract large numbers of college-bound youth into the military. Data do not permit estimates of how many college-bound persons might join under S. 1747. Survey data suggest, however, that most high school seniors who say they are bound for college actually begin school within a year of graduation. Thus it may be difficult to divert college-bound youth into the military, especially into the combat arms skills.

While improving recruiting, however, S. 1747 also would add to costs. Outlays by the federal government would remain low until newly eligible members had time to complete service and begin to use their entitlements. Nonetheless, total outlays under S. 1747 (net of the savings from terminating VEAP) would eventually reach over $480 million annually (in today's dollars). This means that, for every added high-quality recruit that entered the military, the government would spend nearly $200,000. Costs per recruit would be high because many would receive benefits even though they were going to enlist anyway, and because educational benefits cause people to leave in order to use their benefits. These costs per recruit for S. 1747 would be well above the $20,000 to $35,000 required to attract an extra high-quality recruit into the Army using more recruiters or higher cash enlistment bonuses.

The Peacetime Veterans' Educational Assistance Act, like all broad-based benefits, might also fail to focus added incentives where they are most needed. For example, under the two-tier provision--which offers more benefits in return for longer service--the Air Force and the Navy, which have longer minimum terms of service, would benefit more than the Army and Marine Corps, even though the latter two services have greater recruiting problems. Combat arms skills, with short tours, would be less attractive than long-tour skills in which there are no current shortages. Extensive use of the authorization for kickers provided in the act could

overcome some of these adverse incentives, but it would tend to drive up overall cost.

If the Congress enacts S. 1747, CBO recommends the Congress consider requiring accrual funding. Under the funding approach in S. 1747, full costs would not appear for many years until members completed service and used their benefits. Accrual funding insures that costs of future liabilities appear immediately in the defense budget. CBO believes that accrual funding would help ensure that costs are properly considered in any decision to implement a new program of educational benefits.

SUMMARY

In sum, Mr. Chairman, military recruiting appears likely to exceed Congressionally-established minimums in the next few years even without added recruiting incentives. Moreover, the educational benefits program now in place appears to be effective for the Army, which most needs the help. In later years, of course, recruiting problems could develop. If the Congress decides to meet any future recruiting problems with improved educational benefits, it should be aware that broad-based benefits such as those in the Peacetime Veterans' Educational Assistance Act, while they may attract some college-bound youth into the military, are an expensive way to improve overall recruiting and generally do not focus benefits where the need is greatest.

RESPONSE OF THE CONGRESSIONAL BUDGET OFFICE TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. In your prepared testimony, you stated that CBO projects total outlays under the S. 1747 programs would eventually reach $480 million annually and cost the Government nearly $200,000 per high-quality recruit added. Those figures reflect costs in terms of today's dollars.

a. What would these costs be in inflated dollars?

b. What would the cost be if Congress -- as it most surely would -- indexed or provided cost of living increases in these benefits?

c. Does the $200,000 figure, referring to the cost per high-quality recruit added, include amounts already being spent on bonuses and recruiters?

Answer 1.

a. Assuming implementation of the program in 1987, if the benefits provided in S. 1747 were not adjusted for inflation, but costs were measured in inflated dollars, then CBO estimates that the gross costs of the bill would be $900 million by 1998. These costs would rise to over $1 billion shortly after the year 2000. Net costs, including offsets for terminated benefits under VEAP, would be $775 million by 1998 and $900 million after 2000.

b. If benefits were indexed, the inflated-dollar costs of S. 1747 would be $1.64 billion (gross) and $1.36 billion (net) by 1998, and they would continue to rise thereafter.

c. CBO's estimate of $200,000 per additional high-quality recruit includes only the cost of the provisions of S. 1747: new educational benefits and terminiation of VEAP. Current levels of expenditure of enlistment bonuses and other recruiting resources are assumed to be unchanged. If these expenditures were reduced, the effect would be to offset some of the estimated improvement in net recruiting from S. 1747.

Question 2. Would you consider the current resources available to the Department of Defense to be sufficient to address possible shortfalls?

Answer 2.

The Department of Defense's current recruiting resources appear adequate to meet current accession goals in today's recruiting market. CBO anticipates that, at these resource levels, the Department will continue to be able to meet or exceed Congressionally mandated requirements for recruit quality in the next few years. Should additional resources become needed because of unanticipated improvement in the economy or other reasons, CBO's analysis suggests that these resources should be targeted at the particular skills and military services most in need of improved recruiting, (combat and the Army) rather than being spread uniformly over all services and all occupational specialties.

Senator MATSUNAGA. Without objection, the statement of Gen. Edward C. Meyer, the former Chief of Staff of the Army, will be included in the record. I believe that statement was in the form of a letter to Senator Armstrong.

[The letter referred to above follows:]

Apartment #906
1101 South Arlington Ridge Road
Arlington, Virginia 22202
3 November 1983

Honorable William L. Armstrong
United States Senate
Washington, D. C. 20510

Dear Senator Armstrong:

I'm sorry to take so long in responding to your letter of 3 October; however, it took some time to get a copy of the proposed legislation. As you know I've testified on many occasions about the need for a GI Bill so I'm very willing to provide my view to you for such use as you may deem useful.

In 39 of the past 42 years, men and women who have served in this nation's Armed Services have qualified for VA educational benefits. For much of this time the GI Bill, and the post service educational opportunities provided by this program, were the primary means by which these benefits were administered. They were provided to compensate America's youth for their faithful service during times of both war and peace. Unfortunately, this program experienced a premature termination, the effects of which on recruiting results were predictable well before the arrival of the current contributory Veterans Educational Assistance Program (VEAP).

During its early years (1977 through 1979), VEAP was a failure and as the data below reflect, could not prevent the decline of the quality of Army recruits.

Z NPS ACCESSIONS

Test Score Category	FY76	FY77*	FY78	FY79	FY80
I	5.3	2.3	2.5	1.9	1.5
II	27.6	17.8	19.2	15.3	12.9
IIIa	21.9	14.1	16.2	13.4	11.6
IIIb	37.6	22.0	22.7	23.4	22.1
IV	7.6	43.8	39.3	46.0	51.9
TOTAL					

* Data renormed 77-79

During this time, participation in VEAP (an indicator of the program's unattractiveness) was only 26 percent of all eligibles. This rate only began to improve with the Army's introduction of additional benefits ("kickers"), which were used to increase the basic benefit level. During FY 1979 "kickers" ranging from $2,000 (2-year enlistees) to $6,000 (4-year enlistees) were tested to ascertain whether these increased amounts would prove attractive enough to penetrate the higher scoring high school diploma graduate market. Results were marginally successful and the participation rate improved 2-3 percent. Finally, during the congressionally mandated FY 1981 Educational Assistance Test Program, the Army tested $8,000 and $12,000 "kickers" which have since proven to be the key to an Army "equalizer" among the Services in the quality recruiting market -- increasing the Army's take of non-prior service I-IIIa recruits as reflected below.

% NPS Accessions

Test Score Category	FY80	FY81	FY82*	FY83
I	1.5	2.2	2.9	3.5
II	12.9	21.4	29.0	33.0
IIIa	11.6	16.4	21.1	24.9

* Implementation of Army College Fund Nationwide

These data support the current effectiveness of the Army College Fund program (basic VEAP plus $8,000 or $12,000 "kickers") where 64 percent of eligibles are participating by monthly educational savings allotment. Nevertheless, the current success of this program does not address the future requirement for a non-contributory educational program (GI Bill) which Congress must consider now and not when it will be too little, too late. Even at this time the Services, especially the Army, are beginning to experience the results of an improved economy and shrinking male 17-21 year old market which will decline by some 300,000 by FY 1985. By everyone's analysis educational benefits, particularly the GI Bill, have proven effective attractors for college bound youth who would not have elected Army service without the availability of an educational benefits program. These quality youth are the key to a better Army because they are more easily trained, are more disciplined, are more motivated and, as such, promote enhanced readiness and esprit. Furthermore, a quality Army requires competent leadership at all levels. As a result, these individuals provide the base from which a quality non-commissioned officer corps is selected.

While one cannot argue the recent success of Army recruiting in the quality market, this success cannot be attributed solely to the availability of the Army College Fund in view of the synergy of many factors acting on the recruiting marketplace. Despite this upward trend, the data below reveal that in sheer numbers of quality recruits, the GI Bill years provided more Test Score Category I, II and IIIa enlistees than during the past two years of the Army College Fund.

Number of NPS Accessions

			GI BILL ENDS	VEAP BGNS		KICKERS BEGIN		ACF TESTED	ACF NATIONWIDE	
TSC	FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83
I	6542	8391	9541	3901	3127	2469	2391	2638	3536	4638
II	50042	55968	49727	29929	23826	19811	20482	25187	34929	43862
IIIa	39029	41983	39546	23769	20133	17367	18346	19337	25346	33030

During testimony prior to passage of the VEAP legislation, the Assistant Secretary of Defense for Manpower and Reserve Affairs made comments pertinent to the current need for a return to the GI Bill. At that time he likened the Army's efforts to recruit high-quality personnel to a service station TV commercial where the station manager says, "You can pay me now or you can pay me later." The Army is currently "paying" for the lower mental category enlistment cohorts experienced subsequent to the termination of the GI Bill. During these early years, the lowest mental categories entered the force in increasing numbers until the renaissance in recruiting that the Army began experiencing in FY 1981. Unfortunately, the future does not look as promising as the past years and the return to a non-contributory GI Bill is imperative. This program should contain the following features:

- Basic benefits adequate enough to compete equally with non-military federal loans and grants
- Supplementary benefits for use in targeting selected recruits and skills
- Transferability of benefits to dependents to act as a retention incentive
- Inclusion of the Selected Reserve to compensate the Total Army

Such a program would cost approximately four times more than the present Army College Fund. Inasmuch as the cost-benefit ratio for the taxpayer would exceed that experienced in earlier GI Bills, the Services should be willing to provide costs associated with both supplementary benefits and transferability while the VA should bear the basic benefit costs in addition to administering the program. This would provide a revitalized partnership in this important endeavor between the Services and the agency which was established to administer and support veterans' programs.

Finally, the current DoD position which supports VEAP in the near term risks repeating lessons already learned from the past where lean recruiting years yielded lower quality enlistees who are expensive to replace and become the base for a "hollow Army." This is a price the Army can ill afford to pay again.

I am pleased that you have expressed a willingness to take the lead in a new GI Bill initiative. In my view, a GI Bill containing the features outlined above would be an extremely critical piece of legislation the Congress could enact in the interest of promoting the long term combat readiness of the military services. I assure you of every possible means of support.

Sincerely yours,

E. C. Meyer

E. C. MEYER
General, United States Army
Retired

Senator MATSUNAGA. The committee will stand in recess until the call of the Chair.

[Whereupon, the committee recessed at 12:02 p.m.]

[The following written statement was received by the committee for the hearing record:]

PREPARED STATEMENT OF STEPHEN L. EDMISTON, DEPUTY NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the more than 846,000 members of the Disabled American Veterans, I wish to thank you and the members of the Committee for providing us this opportunity to express our views on the various bills relating to veterans' education programs presently pending before the Committee.

One bill (S. 1747) proposes to establish two new programs of educational benefits for peacetime veterans, close the Veterans' Educational Assistance Program (VEAP) to new participants, and repeal the December 31, 1989 termination date for the Vietnam era GI Bill. The other measure (S. 1873) proposes to require a report on the need for a new educational assistance program and provide the mechanism for the expeditious consideration of legislation to establish such a program.

As you know, Mr. Chairman, the DAV membership is composed of honorably discharged veterans who were wounded, injured or other-

wise disabled in the wartime service of their country. It therefore follows that our organization is primarily concerned with veterans' educational benefits provided by the Vocational Rehabilitation Program under Chapter 31 and the Survivors' and Dependents' Educational Assistance Program provided under Chapter 35 of Title 38, U.S. Code.

Even though our organization was founded on the principle that, in terms of veterans' benefits and services, this nation's first obligation rests with the rehabilitation of its service-connected wartime disabled, the DAV is also concerned with those federal programs which have been designed to enhance the educational opportunities of veterans in general.

Additionally, because of the nature of the legislative proposals pending before the Committee today, I do wish to stress that the DAV endorses and supports a strong national defense to insure that the United States Armed Forces are second to none.

S. 1747

Introduced by Senator Armstrong on August 3, 1983, S. 1747 proposes, among other things, to add two new programs of educational assistance for veterans of peacetime service.

This legislation, as set forth in its statement of purpose, proposes -- "(1) to promote and assist the total force concept of the Armed Forces by establishing a new program of educational assistance to aid in the recruitment and retention of highly qualified personnel for both the Active and Reserve components of the Armed Forces; and (2) to assist such personnel in obtaining an education that they might not otherwise be able to afford."

As proposed, S. 1747 would establish a new Chapter 29 -- Peacetime Veterans' Educational Assistance Program, which would provide two levels of educational assistance to which eligible veterans may become entitled. The first level of benefits -- Basic Educational Assistance -- would provide a maximum of 36 months of educational assistance to an individual who serves three or more years of active service; or two or more years active service and agrees to four years service in a reserve component; or has served six continuous years in the Selected Reserves.

Basic Educational Assistance under this provision of S. 1747 would be paid at the rate of $300 a month for full-time training.

The second level of benefits -- Supplemental Educational Assistance -- can provide an additional $300 a month in educational assistance benefits to an individual who has established

entitlement to Basic Educational Assistance and who has completed three more years of active service in a "category of personnel" designated by regulations prescribed by the Secretary of Defense.

Furthermore, the Secretary of Defense may approve additional increases, not to exceed $300 a month, in Basic or Supplemental Educational Assistance (or both), if it is determined necessary in order to obtain or retain sufficient numbers of personnel in certain "designated categories of personnel".

Educational assistance provided by the proposed Chapter 29 would expire at the end of the 10 year period beginning on the (1) date of last discharge or (2) the date entitlement commences.

Additionally, S. 1747 as proposed, would create a new Chapter 30 -- Career Members' Contributory Educational Assistance Program, the purposes of which are -- "(1) to establish a contributory educational assistance program to enhance the ability of the Armed Forces to retain on active duty highly qualified men and women; and (2) to assist such individuals and their families in obtaining educations that they might not otherwise be able to afford".

The proposed Chapter 30 would enable a service member to contribute an amount not to exceed $6,000 to the "Career Members' Education Account". The Departments of Defense and Transporta-

tion would then match the service member's deposit with $2 for every $1 contributed and, may increase the matching funds when it is considered necessary to encourage individuals to remain on active duty.

Participants of the proposed Chapter 30 program would be entitled to a maximum of 36 months of educational payments, in addition to any amounts they may be entitled under Chapter (proposed) 29, 31, 32, 34, 35 or 36 of Title 38, U.S. Code.

Furthermore, as proposed, participants may transfer any portion of the entitlement they have accumulated in their account to their spouse or child.

Appropriations to cover the basic and supplemental educational assistance, as well as the contributory program under the proposed Chapters 29 and 30 would be borne by the Departments of Defense and Transportation. Additionally, these Departments would also be responsible for reimbursing the Veterans Administration to cover all expenses incurred for administration of these programs.

Other sections (sections 3, 4, 5 and 6) of S. 1747 provide appropriate technical amendments to Title 38, U.S. Code; provisions for educational leave of absence; pre-separation

counseling; as well as, effectively providing for the termination of the Chapter 32 (VEAP) program.

Section 7 of the bill proposes to amend section 1662 of Title 38, U.S. Code, to extend, in the case of career service members who have acquired eligibility for Chapter 34 GI Bill educational benefits, the period within which such individuals may use their eligibility to these benefits.

The provisions of S. 1747, if enacted in their present form, shall take effect on October 1, 1987, except for sections 6 and 7 of the bill which will become effective on October 1, 1983.

However, the proposal does permit the President, upon the recommendation of the Secretary of Defense, to implement the provisions of the bill prior to October 1, 1987 following notification to the appropriate Committees of the Congress.

S. 1873

Introduced on September 22, 1983 by you, Mr. Chairman, S. 1873 proposes -- "to require the President to report to Congress by July 1, 1987, concerning the need for a new educational assistance program for service members to assist in the recruitment

and retention of qualified personnel in the Armed Forces, and to provide for the expeditious consideration of proposed legislation establishing such a program."

* * *

Mr. Chairman, the DAV does not view the pending bills in the context of veterans' legislative proposals that are traditionally the purview of this Committee. That is, these measures do not represent proposals for new or improved programs of educational readjustment benefits designed to meet the needs of veterans who have set aside or temporarily postponed higher educational pursuits because of voluntary active duty wartime service or conscription into the Armed Forces.

Moreover, the fundamental purpose of these proposals is not to assist veterans in their efforts to continue their pursuit of higher education which was inadvertently interrupted by military service, as was the case of the "GI Bills" during World War II, Korea and Vietnam.

In our view, Mr. Chairman, the pending legislation is primarily designed and intended to assist the all volunteer military force in their recruitment and retention efforts.

We are pleased to note that the provisions of S. 1747 do not alter a service member's eligibility to the VA's Chapter 31 rehabilitation program by reason of a service-connected disability, even though entitlement may be established for benefits provided under the proposed educational assistance programs.

We also note, Mr. Chairman, that section 7 of S. 1747 (repealing the December 31, 1989 termination date for the Vietnam era GI Bill) would be a liberalization of current law that would not only benefit the individuals concerned, but would also assist the military services. The DAV views this proposal as a very positive incentive for active duty personnel to pursue the military as a career with no fear of losing these benefits.

As you well know, numerous military witnesses have testified before this Committee and your counterpart in the other body about the urgent need for such a liberalization due to the large numbers of personnel who have decided to leave the military service rather than lose their education benefits. Should the Committee decide to move on legislation establishing an educational program designed to improve recruitment and retention in the armed services, we would favor the inclusion of the provisions contained in section 7 of S. 1747.

Clearly, S. 1747 would provide the Department of Defense with a recruitment and retention device. In this case, the DAV has no objection with such Congressional efforts to make service in the military forces more attractive. Additionally, we are pleased to note that this proposal recognizes the need for the Departments of Defense and Transportation, rather than the Veterans Administration, to "pick up the tab" for such proposals.

Mr. Chairman, the DAV does have some reservations regarding the potential effectiveness of the programs proposed by S. 1747. That is, we question whether or not these programs will produce the desired results in terms of attracting and retaining high quality personnel in the Armed Forces, Selected Reserves and the reserve components, as well as, whether such programs are truly needed today or in the near future by the Armed Forces.

Our reason for raising concern rests with the fact that, today, college age students can obtain federally insured, subsidized loans regardless of family income. Federally insured loans for college educations without any accompanying obligation for military service would appear to be far more attractive to today's young people than the programs proposed by the pending legislation.

Another concern surrounds the issue of "need" for such programs. As you will recall, in 1979 when this issue first gained the attention of this Committee and your counterpart in the House the Armed Forces were in fact having serious difficulties with respect to recruiting and the retention of personnel.

However, during the past few years the military services have, by and large, been meeting and, in some instances, exceeding their recruitment and retention goals, both in quantity and quality.

Of course some experts are predicting that during the mid to late 1980's the military services will again start to experience difficulties in their recruitment and retention efforts due to the improving economy and the expected decline in the pool of young people eligible for military service.

Like you, Mr. Chairman, we are also concerned with the approach taken by S. 1747 -- legislating for future recruitment and retention problems that, at this time, remain relatively unknown.

This, coupled with the fact that the cost estimates for the programs proposed by S. 1747 are quite expensive, leads us to question the need for the creation of such programs at the present time.

Quite frankly, Mr. Chairman, the DAV believes the approach taken by S. 1873 is a more reasonable means by which to address the recruitment and retention needs of the military services now, and in the foreseeable future.

In conclusion, Mr. Chairman, I wish to again underscore that the DAV recognizes the importance and necessity for maintaining a strong national defense, however, in these days of uncontrollable budget deficits, we must question the appropriateness of creating an expensive entitlement program for resolution of a problem that does not now presently exist.

That concludes my testimony, Mr. Chairman. I again wish to thank you and the members of the Committee for providing the DAV the opportunity to comment on these legislative proposals.